Stephen F. Austin State University

Annual Audit Report

For the Fiscal Year Ended August 31, 2020

Audit Report 20-XIX

Department of Audit Services

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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 planning and coordination of 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. More details are included in the audit charter in Tab XII.

Fiscal year 2020 was both an exciting and challenging year. SFA welcomed its 9th President in September 2019, and then in March 2020, the COVID-19 pandemic changed the operations of the University. Most University operations moved to a remote working and learning environment. Audit Services staff made the transition and continued to make progress on the audit plan. Twenty-one audits were completed. 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 State Comptroller; and investigated reports made through the University's fraud and ethics reporting system.

Audit Services operated with a full staff for fiscal year 2020. The BOR approved the fiscal year 2021 audit plan as shown in Tab VIII on July 21, 2020. For fiscal year 2021, Audit Services reduced staff by one employee due to the retirement of a long-term employee.

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 10/26/20

Gina Oglesbee, CPA, CFE
Chief Audit Executive

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 2020 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 Audits is included in Tab IV of this report.

SFASU DEPARTMENT OF AUDIT SERVICES
SUMMARY OF AUDITS FOR FISCAL YEAR 2020

Audit Services made significant progress on the fiscal year 2020 Audit Plan. The following audits were completed:

#	REPORT NAME
19-XIV	Medical Billing 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
20-I	Follow-Up Audit
20-II	University Payroll Expenditures Audit
20-III	Military Science Departmental Audit
20-IV	Business Communication and Legal Studies Departmental Audit
20-V	Secondary Education and Educational Leadership Departmental Audit
20-VI	University Police Departmental Audit
20-VII	Family Educational Rights and Privacy Act Audit
20-VIII	Follow-Up Audit of External Information Technology Audits
20-IX	Benefits Proportional by Fund Audit
20-X	Human Resources Departmental Audit
20-XI	University Training System Audit
20-XII	Follow-Up Audit
20-XIII	Institutional Effectiveness Departmental Audit
20-XIV	Financial Aid Departmental Audit
20-XV	Contract Management and Procurement Audit
20-XVI	External Network Firewall Audit

SFASU DEPARTMENT OF AUDIT SERVICES
SUMMARY OF AUDITS FOR FISCAL YEAR 2020

Audit Services had the following deviations from the fiscal year 2020 Audit Plan:

AUDIT PLAN ITEM	ACTION	REASON
Financial Aid – Perkins Close Out	Not performed	The University did not liquidate the Perkins program in fiscal year 2020. The agreed upon procedures will be performed by an external audit firm when liquidated in fiscal year 2021. The project is included on the fiscal year 2021 Audit Plan under External Audit Assistance.
Construction Audit	Not Performed	The audit was postponed due to the COVID-19 environment and is included on the fiscal year 2021 Audit Plan.

The following audit reports from fiscal year 2020 addressed specific higher education requirements:

#	REPORT NAME	HIGHER EDUCATION REQUIREMENT
20-IX	Benefits Proportionality	Benefits Proportionality Audit requirement to examine fiscal year 2019 as prescribed in Rider 8, page III-48, the General Appropriations Act (86th Legislature).
20-VIII	Follow-Up Audit of External Information Technology Audits	TAC 202.76 requirement to review the information security program at least biennially.
20-XV	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.
20-XVI	External Network Firewall Audit	TAC 202.76 and DIR Security Control Standards Catalog security controls.

The List of Audits in Tab IV details high-level audit objectives and recommendations. The current status is as of July 31, 2020, but prior to the completion of the FY 2020-2021 Follow-Up Audit.

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-XIV	December 31, 2018	Medical Billing Audit	Our audit objective was to gain assurance for the following where applicable: compliance with criteria; existence of appropriate internal controls; accuracy of reporting and documentation, including medical billings and collections; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	We noted that the Sports Medicine Department and the Health Clinic contract for separate medical billing systems. Both systems require funding, oversight, and expertise. In addition, the University hires a general practice physician to oversee the Health Clinic. The Sports Medicine Department contracts with a separate general practice physician. The University should review the efficiency of its medical services, including medical billing practices and physician services.	Ongoing
				During our audit procedures, we found the following: • University contracting authority and best value procurement procedures were not followed for at least two equipment agreements with Vivature that were executed by the Sports Medicine Department. The agreements committed the University to equipment purchases with payments deducted from collections. The last equipment agreement extended the contract term to August 31, 2023. • Some agreements were not readily located and were not in the University's contract system, iContracts. The University should strengthen contract processes to ensure that University contract and procurement policies and procedures are followed. All contracts and addendums should be added to iContracts. Contract terms for the Vivature agreements should be clarified.	Ongoing

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

<table>
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<tr><td></td><td></td><td></td><td></td><td>During our review, we noted that the collection fee did not appear to be calculated according to contract terms. Vivature deducted a fee of 35% of collections instead of 25%, as shown in the following table.

<table>
<tr><th></th><th>Fiscal Year 2017</th><th>Fiscal Year 2018</th><th>Fiscal Year 2019</th><th>Total</th></tr>
<tr><td>Actual Collection Fees (35%)</td><td>$ 91,860</td><td>$ 149,114</td><td>$ 63,366</td><td>$ 304,340</td></tr>
<tr><td>Expected Collection Fees (25%)</td><td>$ 65,614</td><td>$ 106,510</td><td>$ 45,262</td><td>$ 217,386</td></tr>
<tr><td>Excess Collection Fees</td><td>$ 26,246</td><td>$ 42,604</td><td>$ 18,104</td><td>$ 86,954</td></tr>
</table>

The Intercollegiate Athletics Department should work with the General Counsel to clarify the collection fee terms and pursue resolution. In addition, the Intercollegiate Athletics Department should strengthen controls to ensure that contract payments and receipts are reviewed and monitored.</td><td>Ongoing</td></tr>
<tr><td></td><td></td><td></td><td></td><td>We reviewed medical billing activity and found the following:

• The Sports Medicine Department did not have documented procedures for standing orders.

• Standing Orders for one provider were not readily located by the Sports Medicine Department.

The Sports Medicine Department should add controls and formally document procedures for standing orders.</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				Our audit included a review of medical record files which support the process, along with related procedures. We judgmentally selected items for testing and found the following: • 20 of 20 (100%) student medical record files were missing one or more required items. In addition, some of the documents were located outside of the EMR system. The Sports Medicine Department should review and strengthen procedures to ensure compliance with medical record file documentation.	Ongoing

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<tr><td></td><td></td><td></td><td></td><td>
We judgmentally selected 26 medical billing claims for 20 sampled athletes for testing and found the following:
<table>
<tr><th rowspan="2">Sample Size</th><th rowspan="2">Audit</th><th colspan="2">One or More Exceptions</th><th colspan="2">No Exceptions</th></tr>
<tr><th>#</th><th>% of Sample</th><th>#</th><th>% of Sample</th></tr>
<tr><td>26</td><td>Timely Claims</td><td>13</td><td>50%</td><td>13</td><td>50%</td></tr>
<tr><td>26</td><td>Accurate Claims Data</td><td>8</td><td>31%</td><td>18</td><td>69%</td></tr>
</table>

In calendar year 2018, the 20 sampled athletes had a total of 699 claims.

64 of 699 (9%) claims reflected some amount of insurance payment.
635 of 699 (91%) claims did not result in an insurance payment.

The collection percentage by Vivature has dropped significantly as shown in the following table.

<table>
<tr><th></th><th>Calendar Year 2019</th><th>Calendar Year 2018</th><th>Calendar Year 2017</th><th>Calendar Year 2016</th></tr>
<tr><td>Charges</td><td>$ 5,351,277</td><td>$ 5,704,568</td><td>$ 4,758,172</td><td>$ 2,177,028</td></tr>
<tr><td>Insurance Collections</td><td>$ 98,970</td><td>$ 309,873</td><td>$ 391,221</td><td>$ 182,521</td></tr>
<tr><td>Collection Percentage</td><td>2%</td><td>5%</td><td>8%</td><td>8%</td></tr>
</table>

As of September 26, 2019, 70% of outstanding claims were over 120 days old.
Management reporting and monitoring of medical billing functions were not formalized.

The Intercollegiate Athletics Department should formalize procedures to regularly monitor and evaluate the effectiveness and accuracy of billing and collections.
</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				During our review of accounts receivable, we noted the following: • Medical Billing accounts receivable were not recorded on the University's general ledger. The Intercollegiate Athletics Department should work with the Controller's Office to determine proper treatment of Accounts Receivable.	Ongoing
				During our review of receipts and deposits, we noted the following: • Intercollegiate Athletics Department deposit procedure does not include the required elements outlined in Policy 3.26. • 7 of 18 (39%) deposits of payments from Vivature were made timely. • 11 of 18 (61%) deposits of payments from Vivature were not made timely. • Amounts received from Vivature were recorded as on offset to medical services expense, instead of as a revenue. • Amounts paid for both the accidental insurance premiums and to fund claims up to the $300,000 deductible were recorded as expense to insurance premiums. The Intercollegiate Athletics Department should work with the Controller's Office to review the proper accounting treatment of insurance, medical service expense, and medical revenues. In addition, procedures should be strengthened to ensure compliance with University regulations for receipts.	Ongoing

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<tr><td></td><td></td><td></td><td></td><td>During our audit procedures, we noted the following:

• Equipment purchased totaling $124,027 through contract addendums with Vivature did not appear to be recorded in the University's or Department's property records.

<table><tr><th>Date</th><th>Amount</th></tr><tr><td>Unknown Start</td><td>$ 18,000.00</td></tr><tr><td>March 2016</td><td>$ 36,000.00</td></tr><tr><td>January 2017</td><td>$ 3,500.00</td></tr><tr><td>February 2017</td><td>$ 1,740.00</td></tr><tr><td>August 2017</td><td>$ 24,000.00</td></tr><tr><td>June 2018</td><td>$ 15,400.00</td></tr><tr><td>October 2018</td><td>$ 16,886.58</td></tr><tr><td>July 2019</td><td>$ 8,500.00</td></tr><tr><td>Total</td><td>$ 124,026.58</td></tr></table>
• Equipment purchased through contract addendums did not follow best value procurement.

The Intercollegiate Athletics Department should work with the Controller's Office and the Procurement and Property Office to determine the proper accounting treatment and appropriate procurement method of athletic training equipment obtained through Vivature.</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				We reviewed active users in the Vivature system, excluding Vivature staff and student-athlete accounts, and noted the following for system access: • 16 of 79 (20%) active user accounts were reviewed with no exceptions. • 63 of 79 (80%) active user accounts were reviewed with one or more exceptions. The Sports Medicine Department should strengthen security controls to ensure compliance with ITS security policies. The ITS Security Office should perform a security assessment of the Vivature system.	Ongoing
				We reviewed training records to determine that employees had taken the required FERPA training. We noted the following: • 7 of 20 (35%) employees had taken the required FERPA training. • 13 of 20 (65%) employees had not taken the required FERPA training. The employees should complete the required training.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				During our audit procedures, we found the following: • The Medicat contract includes fees for the use of an electronic medical record module which the Health Clinic is not using and does not plan to use. • The Medicat contract Exhibit A references a separate contract between the Health Clinic and Navicure for Clearinghouse Services and provides that Navicure will invoice the Health Clinic monthly. The Health Clinic has remitted clearinghouse fees directly to Medicat as invoiced, and a separate contract with Navicure has not been produced. • The Health Clinic did not have a formal contract notification and close out with Vivature. As a result, the Health Clinic determined that Vivature owed unremitted insurance payments. Our audit confirmed that Vivature owes the Health Clinic $16,491 for unremitted insurance payments. The Health Clinic should review the Medicat contract terms related to clearinghouse fees and evaluate the use of the electronic medical records module that is included in the fee. General Counsel should pursue collection of the insurance payments from Vivature.	Ongoing
				The student population database in Medicat is updated daily using student enrollment data from Banner. We noted that the student population database includes students who are currently enrolled at SFA and those registered for a future term. The Health Clinic should clarify whether the population eligible for services includes registered students in addition to enrolled students.	Ongoing

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Our audit included a review of a sample of Superbills (itemized forms used to reflect services rendered to the students including treatment charge information, diagnosis, and insurance), along with related billing, collection, and deposit procedures.

For the dates sampled, 123 of 232 (53%) patients seen in the Health Clinic had insurance. We found the following:

<table>
<tr><th rowspan="2">Sample Size</th><th rowspan="2">Audit</th><th colspan="2">One or More Exceptions</th><th colspan="2">No Exceptions</th></tr>
<tr><th>#</th><th>% of Sample</th><th>#</th><th>% of Sample</th></tr>
<tr><td>123</td><td>Accurate charges</td><td>25</td><td>20%</td><td>98</td><td>80%</td></tr>
<tr><td>20</td><td>Timely claims</td><td>5</td><td>25%</td><td>15</td><td>75%</td></tr>
<tr><td>8</td><td>Timely Deposits</td><td>7</td><td>87.5%</td><td>1</td><td>12.5%</td></tr>
</table>
In addition, we reviewed controls and noted:

• The Health Clinic lacked a process to reconcile Superbills to students seen for the day.

• The Health Clinic lacked a process to reconcile charges entered into Medicat to the Superbills.

• The Health Clinic lacked segregation of duties for billing and collection functions.

• Management reporting and monitoring of medical billing functions were not formalized and were limited to the number of patient visits and total of deposits into Banner.

The Health Clinic should strengthen controls and oversight to provide a proper segregation of duties; reconciliation of Superbills, treatment charges, and medical billing; timely deposit of funds; and reporting and monitoring of key indicators.
</td><td>Ongoing</td></tr>
</table>

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				During our review, we noted the following: • The Health Clinic did not have formalized accounts receivable procedures for collection efforts and write-offs. • The Health Clinic accounts receivable were not recorded on the University's general ledger. The Health Clinic should work with the Controller's Office to determine proper treatment of Accounts Receivable.	Ongoing
				During our audit procedures, we noted some security controls for the Medicat system were not in compliance with University standards. The Health Clinic should strengthen security controls to ensure compliance with ITS security policies. The ITS Security Office should perform a security assessment of the Medicat system.	Ongoing
				We reviewed training records to determine that employees had taken the required FERPA training. We noted the following: • 8 of 16 (50%) employees had taken the required FERPA training. • 8 of 16 (50%) employees had not taken the required FERPA training. The employees should complete the required training.	Ongoing
19-XXI	February 28, 2019	Counseling Services Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls;	The Department lacked documented administrative policies and procedures in some areas of oversight. The Department should strengthen documented policies and procedures for administrative activities.	Implemented

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			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.	In our procurement card testing, we noted the following: • 22 of 27 (81%) procurement card transactions were reviewed with no exceptions. • 5 of 27 (19%) procurement card transactions were reviewed with one or more exceptions. • The Department had two procurement cards. Of the four sampled monthly detailed transaction reports, two (50%) were reviewed with one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.	Implemented
				During our audit procedures, we noted some logical security procedures were not in compliance with University standards. The Department should strengthen logical security procedures.	Implemented
				In our travel testing, we noted the following: • 2 of 3 (67%) travel expense reports were reviewed with one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for travel.	Implemented

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				During our audit procedures, we noted the following: • 4 of 11 (36%) employees had not been assigned FERPA training. • 4 of 11 (36%) employees were past due or had not been assigned Ethics training. • 2 of 4 (50%) employees were past due or had not been assigned T-Card training. The employees should complete the required trainings.	Ongoing
19-XXII	February 28, 2019	Disability 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.	During our audit procedures, we noted the following: • 9 of 85 (11%) employees were past due or had not been assigned EEO training. • 5 of 14 (36%) employees were past due or had not been assigned Ethics training. The employees should complete the required trainings.	Implemented
				In our travel testing, we noted the following: • 1 of 1 (100%) travel expense report was reviewed with one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for travel.	Implemented
19-XXIII	February 28, 2019	Title IX Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls;	The Department lacked documented administrative policies and procedures in some areas of oversight. The Department should strengthen documented policies and procedures for administrative activities.	Implemented

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LIST OF AUDITS FOR FISCAL YEAR 2020

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			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.	In our procurement card testing, we noted the following: • The Department had five procurement cards. Of the seven monthly detailed transaction reports reviewed, three (43%) had one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.	Implemented
				In our travel testing, we noted the following: • 1 of 1 (100%) travel expense report was reviewed with one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for travel.	Implemented
				During our audit procedures, we noted the following: • 1 of 5 (20%) employee had not been assigned EEO training. • 1 of 3 (33%) employee was past due for Ethics training. The employees should complete the required trainings.	Implemented
19-XXIV	February 28, 2019	Veterans Resource 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	The Department lacked documented administrative policies and procedures in some areas of oversight. The Department should strengthen documented policies and procedures for administrative activities.	Ongoing

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			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.	During our review of time and leave reporting, we found the following: • For non-exempt employee, 6 of 7 (86%) instances of leave taken or requested were not supported by documentation. The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.	Ongoing
				In our procurement card testing, we noted the following: • 5 of 10 (50%) procurement card transactions were reviewed with no exceptions. • 5 of 10 (50%) procurement card transactions were reviewed with one or more exceptions. • The Department had two procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions. The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.	Ongoing
				In our travel testing, we noted the following: • 1 of 1 (100%) travel expense reports was reviewed with one or more exceptions. The Department should strengthen procedures to ensure compliance with University regulations for travel.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
20-I	August 31, 2019	Follow-Up Audit	Our audit objective was to gain assurance that management action plans have been implemented in an appropriate manner. The scope of our audit included outstanding management action plans as of August 31, 2019; which consisted of those remaining from our previous Follow-Up Audit as of January 31, 2019 and management action plans from audits performed subsequent to that date during fiscal year 2019 (as of the July 2019 Board of Regents meeting).	Significant progress has been made toward implementing the management action plans as evidenced by the forty-three (43) management action plans that are either *Verified* or *Implemented* which results in a **74%** overall implementation rate.	Ongoing
20-II	August 31, 2018	University Payroll Expenditures Audit	Our audit objectives were to gain assurance that University payroll expenditure transactions were accurate; payroll expenditure transactions were authorized; payroll expenditure transactions were in compliance with laws, policies, and regulations; access to confidential payroll information in Banner was limited; and opportunities for fraud were minimized.	Though Audit Services did not complete the University Payroll Expenditures audit, while performing our audit planning and assisting with the consulting engagement, we noted the following related to payroll control activities: • While the University has various payroll reports in Banner 9, a comprehensive payroll disbursement report by payroll period was not available to aid in the reconciliation of payroll and related expenditures by payroll period. Human Resources and the Controller's Office should strengthen payroll control activities and continue to work with Information Technology Services to develop a comprehensive payroll disbursement report by payroll period.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
20-III	August 31, 2019	Military Science Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.	The Department lacked documented policies and procedures for administrative activities. The Department should add or strengthen documented policies and procedures for administrative activities.	Ongoing
				During our audit procedures, we noted the following: • 4 of 14 (29%) employees or military personnel were past due for Security Awareness training. • 3 of 4 (75%) employees or military personnel had not been assigned Property training. The employees and military personnel should complete the required trainings.	Implemented
				The University process for handling the ROTC scholarships from the Army changed in recent years, but we noted an outstanding balance of $88,068 from fiscal year 2016 existed in the Department's accounts. Though the process changed, the budget process for scholarships was not changed resulting in a budget carryforward balance. The Controller's Office should review the outstanding receivable and budget carryforward balance and determine the appropriate treatment.	Ongoing

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				Since the military personnel are not University employees, we noted that University policies, as shown below, specify employee requirements but do not address requirements for third-party personnel. • University Policies 11.16, *Nepotism*; 11.19, *Outside Employment*; and 17.22, *Purchasing Ethics and Confidentiality*; require employees to complete annual conflict of interest disclosures. Military personnel in the Department had not completed the conflict of interest disclosures for Nepotism, Outside Employment, and Vendor Relations. • University Policy 17.11, *Procurement Card*, states, "Procurement Card will be issued in the name of the employee" and "approved university employees may use the university procedure card…" The procurement card for the Department was issued to military personnel. • University Policy 17.14, *Property Inventory and Management*, states, "The property custodian is any employee who is listed on property records as entrusted with the care and safekeeping of specific pieces of property, and is liable for any university property assigned to him/her." Military personnel were assigned as property custodians. • University Policies 2.6, *Ethics*; 2.11, *Discrimination Complaints*; and 2.10, *Student Records* require employees to complete EEO, Ethics, and FERPA training. Military personnel had not been assigned or completed EEO, Ethics, or FERPA training. The University should review and clarify policies as necessary to address third party personnel who act as employees. The third party personnel should complete the required conflict of interest disclosures and trainings.	Ongoing
20-IV	August 31, 2019	Business Communication and Legal Studies Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources	The Department lacked documented administrative policies and procedures in some areas of oversight. The Department should add or strengthen documented policies and procedures for administrative activities.	Implemented

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<tr><td></td><td></td><td></td><td>and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.</td><td>We noted the following during our review of receipts for the Department:
<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>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>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</td><td>Implemented</td></tr>
<tr><td></td><td></td><td></td><td></td><td>In our travel testing, we noted the following:
• 2 of 2 (100%) travel reports were reviewed with one or more exceptions.
The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				During our audit procedures, we noted the following: • 5 of 16 (31%) employees were past due for Ethics training. • 2 of 16 (13%) employees had not been assigned FERPA training. • 6 of 17 (35%) employees were past due for EEO training. • 6 of 17 (35%) employees were past due for Security Awareness training. The employees should complete the required trainings.	Implemented
				During our audit procedures, we noted some security controls were not in compliance with University standards. • 1 of 1 (100%) department computers reviewed were using an outdated version of antivirus software. The Department should strengthen controls to ensure compliance with ITS security policies.	Implemented
				We noted the following during our review of payroll for the Department: • 2 of 2 (100%) sampled payroll transactions were reviewed with one or more exceptions. • The record retention method for direct deposit authorizations did not facilitate record retention for the required period of time. Human Resources should strengthen procedures to ensure deductions are accurate. Payroll Office should strengthen procedures to ensure compliance with University regulations for record retention.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
20-V	August 31, 2019	Secondary Education and Educational Leadership Departmental Audit	Our audit objectives are to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.	The Department lacked documented administrative policies and procedures in some areas of oversight. In the reorganization, the College should ensure policies and procedures for administrative activities are documented.	Ongoing
				During our audit procedures, we noted the following: • 4 of 27 (15%) employees were past due or had not completed Ethics training. • 13 of 30 (43%) employees were past due or had not completed FERPA training. • 5 of 30 (17%) employees were past due or had not completed EEO training. • 6 of 26 (23%) employees did not complete Security Basics training for the calendar year 2019 cycle. • 1 of 7 (14%) employee had not completed Property training. • 2 of 4 (50%) employees had not completed or been assigned Campus Program for Minors training. The employees should complete the required trainings.	Ongoing
				In our travel testing, we noted the following: • 1 of 2 (50%) travel reports was reviewed with one or more exceptions. In the reorganization, the College should ensure compliance with University regulations for travel.	Ongoing

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<table>
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<tr><td></td><td></td><td></td><td></td><td>We noted the following during our review of receipts for the Department:
<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>No</td></tr><tr><td>Record Retention Requirement</td><td>Yes</td></tr><tr><td>Job Description Language</td><td>Yes</td></tr><tr><td>Timely Deposit</td><td>No</td></tr><tr><td>Fully Completed Receipts</td><td>Yes</td></tr><tr><td>Receipts and Deposits Training</td><td>No</td></tr></table>In the reorganization, the College should ensure compliance with University regulations for receipts.</td><td>Ongoing</td></tr>
<tr><td></td><td></td><td></td><td></td><td>During our review of time and leave reporting, we found the following:
• For faculty, 4 of 4 (100%) instances of leave taken or requested were not supported by documentation.
• Leave requests were not maintained as required.
In the reorganization, the College should ensure compliance with University regulations for leave reporting.</td><td>Ongoing</td></tr>
<tr><td>20-VI</td><td>August 31, 2019</td><td>University Police Departmental Audit</td><td>Our audit objectives are to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources</td><td>The Department lacked documented administrative policies and procedures in some areas of oversight.
The Department should add or strengthen documented policies and procedures for administrative activities.</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
			and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.	During our audit procedures, we noted the following: • 6 of 42 (14%) employees were past due or had not completed Ethics training. • 30 of 49 (61%) employees were past due or had not been assigned FERPA training. • 7 of 49 (14%) employees did not complete Security Basics training for the calendar year 2019. • 1 of 4 (25%) employee was past due and had not been assigned Procurement Card training. The employees should complete the required trainings.	Ongoing
				In our travel testing, we noted the following: • 1 of 2 (50%) travel reports were reviewed with one or more exceptions. The Department should add or strengthen procedures to ensure compliance with University regulations for travel.	Ongoing

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<tr><th>Report #</th><th>Audit Date</th><th>Report Name</th><th>High-Level Audit Objective(s)</th><th>Observations and Recommendations</th><th>Current Status</th></tr>
<tr><td></td><td></td><td></td><td></td><td>We noted the following during our review of receipts for the Department:

<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>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits Training</td><td>Yes</td></tr></table>
The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</td><td>Ongoing</td></tr>
<tr><td></td><td></td><td></td><td></td><td>In our procurement card testing, we noted the following:

• 12 of 21 (57%) procurement card transactions were reviewed with no exceptions.

• 9 of 21 (43%) procurement card transactions were reviewed with one or more exceptions.

In addition, the Department has four procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.

The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</td><td>Ongoing</td></tr>
</table>

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<tr><th>Report #</th><th>Audit Date</th><th>Report Name</th><th>High-Level Audit Objective(s)</th><th>Observations and Recommendations</th><th>Current Status</th></tr>
<tr><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td>In our property testing, we noted the following:

• 14 of 17 (82%) property items were reviewed with no exceptions.

• 3 of 17 (18%) property items were reviewed with one or more exceptions.

The Department should add or strengthen procedures to ensure compliance with University regulations for property.</td><td>Ongoing</td></tr>
<tr><td>While performing our audit, we noted that the Department had deficit accounts at August 31, 2019.

<table><tr><th>Organization - Fund</th><th>Budget Deficit</th></tr><tr><td>Parking Garage – Pledged Auxiliary</td><td>$ (8,111)</td></tr><tr><td>Campus Security System – Designated Tuition</td><td>$ (39,314)</td></tr></table>
The Department should add or strengthen procedures for monitoring of accounts.</td><td>Ongoing</td></tr>
<tr><td rowspan="2">20-VII</td><td rowspan="2">October 31, 2019</td><td rowspan="2">Family Educational Rights and Privacy Act Audit</td><td rowspan="2">Our audit objectives were to gain assurance that the University was in compliance with the Family Educational Rights and Privacy Act and that controls existed to facilitate FERPA compliance.</td><td>In our review of Policy 2.10, Student Records, we noted that student work products or artifacts, as well as the systems used for student records, were not mentioned in the policy. In addition, some departments and titles reflected in the policy have changed.

The University should review and update Policy 2.10, Student Records.</td><td>Ongoing</td></tr>
<tr><td>We reviewed FERPA training records for employees with Banner system access to student records and found the following:

• 131 of 782 (17%) employees with access to student records had not completed training as required.

• 651 of 782 (83%) employees with access to student records had completed training as required</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				• In addition, 97 of 131 (74%) employees with access to student records that had not completed training as required had not been assigned FERPA training. We noted that 30 were student employees, and the majority of the 67 other employees had access to student records through Banner modules other than the Banner student module. We reviewed the Annual Training Roster Department Head Guide and noted that the process of identifying employees who need FERPA training did not include examples, such as access to paper records and access to various University systems with student records, to aid in identifying training needs. We inquired and found that neither new employee orientation nor new faculty orientation include FERPA information. As a higher education institution, all employees have potential exposure to student education records. In addition, we noted that the FERPA training requirement allows a thirty day lag in completion of training although employees have access to student records during the thirty days. Only employees with access to student records are required to take FERPA training. Through our research, it was determined that some Universities require all employees to take FERPA training. All University employees should have a general awareness of FERPA which could be obtained by including basic FERPA information in employee orientation or requiring FERPA training for all employees. In addition, the Annual Training Roster Department Head Guide should be updated to provide examples of systems with student records to aid in identifying employees with access to student records. The University should strengthen procedures to ensure completion of FERPA training, including reviewing the processes to assign FERPA training.	

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				Brightspace by D2L is the University's learning management system, which is used by faculty to deliver course content, post grades, and more. Brightspace is administered by the Center for Teaching & Learning (CTL). We reviewed access to Brightspace. Access is controlled through the University's Active Directory, but CTL also has the ability to grant accounts. We noted that Brightspace has 107 local accounts, some of which appeared to be generic accounts. The ITS Security Office should perform a security assessment of the Learning Management System. CTL should review the local accounts and strengthen procedures to ensure compliance with ITS policies for account management and control.	Ongoing
				LiveText is administered by the PCOE. We reviewed access and other security controls in LiveText and noted the following: • Accounts were not terminated in compliance with policy. • Password complexity did not conform to University standards. • Shared accounts were used. The ITS Security Office should perform a security assessment of the LiveText application. The PCOE should enhance security controls and strengthen procedures to ensure compliance with ITS policies for account management and control.	Ongoing
				The use of personal electronic devices has increased significantly. The University is exposed to the risk that faculty and staff with access to student records download protected information to non-University electronic devices; thus, the University no longer has control over the protected information. The University should investigate secure options to share and access large amounts of data and limit of the risk of student records on non-University devices, such as the use of a collaborative platform.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
20-VIII	January 10, 2020	Follow-Up Audit of External Information Technology Audits	Our audit objectives were to determine whether corrective actions and recommendations have been implemented by SFA Information Technology Services to remediate audit findings identified as a result of the IT audits performed in prior years, specifically the Audit of Active Directory and the Audit of SFA IT Patching, Antivirus, and Vulnerability Management Processes and Procedures; and provide recommendations for enhancements to improve the relevant controls, processes, policies, and procedures based on State of Texas TAC 202 minimum security controls (i.e. NIST) and/or higher education best practices.	The audit identified opportunities in the SFA Active Directory configuration and management to strengthen controls, enhance compliance, or improve processes in the following areas: • Password and Security Configurations • Account Management Procedures. The University should strengthen controls, enhance compliance, and improve processes for the SFA Active Directory configuration and account management.	Ongoing
				The audit identified opportunities in the PCI Active Directory configuration and management to strengthen controls, enhance compliance, or improve processes in the following areas: • Password and Security Configurations • Account Management Procedures. The University should strengthen controls, enhance compliance, and improve processes for the PCI Active Directory configuration and account management.	Ongoing
				The audit identified opportunities in the UPD Active Directory configuration and management to strengthen controls, enhance compliance, or improve processes in the following areas: • Password and Security Configurations • Account Management Procedures. The University should strengthen controls, enhance compliance, and improve processes for the UPD Active Directory configuration and account management.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for patch management. The University should strengthen controls for patch management.	Ongoing
				The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for antivirus management. The University should strengthen controls for antivirus management.	Ongoing
				The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for vulnerability management. The University should strengthen controls for vulnerability management.	Ongoing
20-IX	Fiscal Year 19	Benefits Proportional by Fund Audit	Our audit objective was to determine whether the University complied with the applicable benefit proportional requirements prescribed by Section 6.08, the General Appropriations Act (86th Legislature), and the State Comptroller's Office policies and procedures.	No observations or recommendations were made.	Completed
20-X	August 31, 2019	Human Resources Departmental Audit	Our audit objectives are to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources	The Department lacked documented administrative policies and procedures for administrative activities. The Department should add or strengthen documented policies and procedures for administrative activities.	Ongoing

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			and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.	During our audit procedures, we noted the following: • 6 of 13 (46%) employees had not completed or been assigned FERPA training. • 2 of 13 (15%) employees did not complete Security Basics training for the calendar year 2019 cycle. • 1 of 2 (50%) employee had not been assigned Procurement Card training. • 1 of 7 (14%) employee had not been assigned Property training. • 1 of 2 (50%) employee had not been assigned Travel Card training. The employees should complete the required trainings.	Ongoing
				In our travel testing, we noted the following: • 2 of 2 (100%) travel reports were reviewed with one or more exceptions. The Department should add or strengthen procedures to ensure compliance with University regulations for travel.	Ongoing
20-XI	February 29, 2020	University Training System Audit	Our audit objectives were to gain assurance that controls exist for the efficient and effective design and delivery of training; and training	The University has invested resources in multiple systems to accomplish its training objectives as shown in the table below. D2L is currently not used for employee compliance trainings but is included in the table for information only as a possible University alternative.	Ongoing

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<tr><td></td><td></td><td></td><td>performance measures were defined, documented, and monitored.</td><td>During our audit procedures, we noted that the University lacked some documented policies and procedures for the administration of the training systems as shown in the following table.
<table>
<tr><th>Training System</th><th>Cornerstone</th><th>KnowBe4</th><th>Mindflash</th></tr>
<tr><td>Documented Operating Procedures</td><td>Some</td><td>Some</td><td>No</td></tr>
<tr><td>Documented Access Control Procedures</td><td>Some</td><td>Some</td><td>No</td></tr>
<tr><td>Documented Access Control Procedures for Privileged Accounts</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td>System Audit Logs</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td>Cross Training/Back up Administrator</td><td>Yes</td><td>Yes</td><td>No</td></tr>
<tr><td>Managed By</td><td>Human Resources</td><td>ITS</td><td>Student Services</td></tr>
</table>
• Privileged accounts, including generic and service accounts, were not documented in accordance with ITS policies procedures for Cornerstone and Mindflash.
• System audit logs for the systems were not fully established as required by ITS policies and procedures.
• Mindflash did not have a designated backup administrator.
Human Resources and ITS should add or strengthen documented policies and procedures for the administration of the training systems. The use of Mindflash was discontinued during the reporting phase of the audit.</td><td>Ongoing</td></tr>
</table>

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<tr><td></td><td></td><td></td><td></td><td>During our audit procedures, we noted that training configurations and course design and delivery settings were not standardized which hindered the efficient and effective design and delivery of training. We noted the following were not consistent either between systems or among courses within a system:

<table><tr><th>Attribute</th><th>Observation</th></tr><tr><td>User access</td><td>User access to the training systems included single-sign on, direct access from website, and direct</td></tr><tr><td>Communication</td><td>Some courses sent emails or notifications upon registration, completion, and for reminders</td></tr><tr><td>Completion</td><td>Some courses provided course completion certificates or acknowledgements</td></tr><tr><td>Format</td><td>Course formats differed in audio and video</td></tr><tr><td>Timing</td><td>Some courses allowed the trainee to advance to the end of the course without reviewing the material</td></tr><tr><td>Knowledge assessment</td><td>Not all courses included knowledge assessments or tests</td></tr><tr><td>Settings</td><td>Course settings such as descriptions and due dates were not consistent between courses and/or systems</td></tr><tr><td>Assignment</td><td>Some courses were automatically assigned and reassigned</td></tr><tr><td>System requirements</td><td>User experience differed based on the internet browser used to take training</td></tr><tr><td>Non-completion</td><td>Training non-completion was not escalated for all trainings</td></tr><tr><td>Results</td><td>Supervisors were not able to access all training results or records</td></tr></table>
The Executive Oversight Compliance Committee should establish standard training configurations and course settings to aid in the efficient and effective design and delivery of training.</td><td>Ongoing</td></tr>
</table>

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<tr><td></td><td></td><td></td><td></td><td>During our audit, we noted the following:

• Performance measures and key compliance initiatives for training were not defined, documented, and monitored.
• Disciplinary measures for training non-compliance were not defined for all trainings.
• Though performance measures were not defined, departmental audit results over the last three years for select trainings provide a snapshot of the history of compliance with training requirements as follows:

<table>
<tr><th>Training</th><th># of Applicable Audits</th><th>% With No Observation</th></tr>
<tr><td>CPM</td><td>7</td><td>57%</td></tr>
<tr><td>EEO</td><td>36</td><td>69%</td></tr>
<tr><td>Ethics</td><td>36</td><td>78%</td></tr>
<tr><td>FERPA</td><td>30</td><td>43%</td></tr>
<tr><td>Payment Card</td><td>9</td><td>89%</td></tr>
<tr><td>Procurement Card</td><td>34</td><td>76%</td></tr>
<tr><td>Property</td><td>35</td><td>74%</td></tr>
<tr><td>Receipts</td><td>24</td><td>92%</td></tr>
<tr><td>Security Awareness</td><td>36</td><td>56%</td></tr>
<tr><td>Travel Card</td><td>29</td><td>69%</td></tr>
</table>

The Executive Oversight Compliance Committee should develop key compliance initiatives and performance measures for training to monitor the effectiveness of training. The University training owners should report regularly on training compliance to the Executive Oversight Compliance Committee.</td><td>Ongoing</td></tr>
</table>

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<tr><td></td><td></td><td></td><td></td><td>During our audit procedures, we noted the following:

• The training curriculum is extensive with some trainings shown in Appendix 1.

• Curriculum for trainings is not centrally managed. With the decentralized nature, as new trainings are added, there is not an assessment of whether the training could be incorporated within another training.

• Frequency of trainings varies. An employee can have trainings due at varying dates during the year.

• For the curriculum of required trainings, departmental audit results over the last three years show a snapshot of areas with instances of non-compliance with policies and procedures even though training was required. Audit results are shown below:

<table><tr><th>Audit Area</th><th># of Applicable Audits</th><th>% With No Observation</th></tr><tr><td>Expenditures</td><td>36</td><td>100%</td></tr><tr><td>Procurement Card</td><td>36</td><td>53%</td></tr><tr><td>Property</td><td>36</td><td>97%</td></tr><tr><td>Receipts</td><td>24</td><td>8%</td></tr><tr><td>Travel</td><td>36</td><td>64%</td></tr></table>
The University should establish centralized oversight over the training curriculum and review the current training curriculum as a whole and consider consolidating trainings where possible and adjusting the frequency of trainings. Other considerations include establishing a consistent training time period, such as a training month. The overall effectiveness of the training curriculum should be assessed.</td><td>Ongoing</td></tr>
<tr><td></td><td></td><td></td><td></td><td>We noted that Red Flag training was not available during the current fiscal year.

The University should provide Red Flag training.</td><td>Ongoing</td></tr>
</table>

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
20-XII	January 31, 2020	Follow-Up Audit	Our audit objective was to gain assurance that management action plans have been implemented in an appropriate manner. The scope of our audit included outstanding management action plans as of January 31, 2020; which consisted of those remaining from our previous Follow-Up Audit as of August 31, 2019 and management action plans from audits performed subsequent to that date during fiscal year 2020 (as of the January 2020 Board of Regents meeting).	Though significant progress has been made toward implementing the management action plans as evidenced by the 66% that are either ***Implemented*** or ***Verified***, additional action is needed for some plans to ensure implementation. Overall the University has partially implemented management action plans in an appropriate manner as of January 31, 2020.	Ongoing
20-XIII	August 31, 2019	Institutional Effectiveness Departmental Audit	Our audit objectives are to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and	During our audit procedures, we noted the following: • 2 of 5 (40%) employees were past due or had not completed FERPA training. • 1 of 5 (20%) employee did not complete Security Basics training for calendar year 2019. The employees should complete the required trainings.	Implemented

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			effective manner; accuracy of reporting and documentation; protection of confidential or critical information; compliance with regulations; and minimization of fraud risks and opportunities.	During our review of time and leave reporting, we found the following: • For non-exempt employees, 2 of 2 (100%) time records were reviewed with one or more exceptions. • For non-exempt employees, 1 of 3 (33%) instances of leave taken was not supported by documentation. • For exempt employees, 3 of 3 (100%) instances of leave taken were not supported by documentation. • The Department has not maintained leave records for the required period of time. • Monthly leave reports for exempt employees are approved by the Provost Office instead of the Department Director. The Department should add or strengthen procedures to ensure compliance with University regulations for time and leave reporting.	Implemented
20-XIV	August 31 2019	Financial Aid Departmental Audit	Our audit objectives are to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and effective manner; accuracy of reporting and documentation; protection of confidential or critical information;	During our audit procedures, we noted the following: • 5 of 30 (17%) employees were past due, had not completed, or had not been assigned FERPA training. The employees should complete the required training.	Implemented
				The Department oversees grant, scholarship, and loan accounts. We noted that some of the accounts had budget variances or balances that need to be monitored or reconciled. The Department should add or strengthen procedures for monitoring of accounts.	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
			compliance with regulations; and minimization of fraud risks and opportunities.	In our travel testing, we noted the following: • 1 of 2 (50%) travel expense reports was reviewed with one or more exceptions. The Department should add or strengthen procedures to ensure compliance with University regulations for travel.	Ongoing
				During our audit procedures, we noted some logical security procedures were not in compliance with University standards. The Department should work with ITS to strengthen logical security procedures.	Ongoing

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<tr>
<td>20-XV</td>
<td>April 30, 2020</td>
<td>Contract Management and Procurement Audit</td>
<td>Our audit objectives were to gain assurance for the following: the University adopted the rules and policies required by TEC §51.9337; the University administered contract management functions for selected contracts in accordance with applicable requirements; and the management action plan from report 19-XX Contract Management and Purchasing Audit as of April 30, 2019 was implemented.</td>
<td>Policies 2.6, Ethics, and 17.25, Procurement Training, prescribe regular training for officers and employees in ethics and procurement.

We tested training for the 323 officers and employees involved in the procurement process, including those that have access to create and/or approve requisitions or award contracts, with the following results:
<table>
<tr><th rowspan="2">Training Status</th><th colspan="3">Ethics</th><th colspan="3">Purchasing 101</th></tr>
<tr><th>Officers</th><th>Employees</th><th>Total</th><th>Officers</th><th>Employees</th><th>Total</th></tr>
<tr><td>Completed</td><td>6</td><td>314</td><td>320</td><td>2</td><td>304</td><td>306</td></tr>
<tr><td>Not Completed</td><td>2</td><td>1</td><td>3</td><td>6</td><td>11</td><td>17</td></tr>
<tr><td>Total</td><td>8</td><td>315</td><td>323</td><td>8</td><td>315</td><td>323</td></tr>
<tr><td>% Completed</td><td>75.0%</td><td>99.7%</td><td>99.1%</td><td>25.0%</td><td>96.5%</td><td>94.7%</td></tr>
<tr><td>% Not Completed</td><td>25.0%</td><td>0.3%</td><td>0.9%</td><td>75.0%</td><td>3.5%</td><td>5.3%</td></tr>
<tr><td>Total</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td></tr>
</table>
The University process effectively provided training to employees as evidenced by the percent completed, but the process did not include an effective mechanism to monitor training for the officers.

The University should establish an effective mechanism to monitor ethics and procurement training for the officers. The trainings should be deployed to the officers for completion.</td>
<td>Implemented</td>
</tr>
</table>

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				During our review of 28 Applications for Payment totaling $4,719,886 from KDW, we found the following items. • We noted a change order on the Basketball Practice Facility Phase II, Application for Payment 2. The change order was effective and executed December 4, 2019 for $132,330.80, but was not reflected in the University's procurement records as of June 25, 2020. The intent of the change order appeared to transfer the project balance from Phase I to Phase II. This change order adjusted the GMP (Guaranteed Maximum Price) for each individual phase, but did not increase the overall project GMP. • The KDW contract provided for a construction manager fee of 3.25 percent. Neither University records nor the contract specify how the fee is to be billed (i.e. over time period or as a percent of work completed). The Physical Plant Department should strengthen procedures for managing construction documentation.	Ongoing
				During our audit procedures, we noted: • 1 of 5 (20%) instances requiring LBB notification was not reported timely. Contract and amendments for KDW appear to be appropriately reported, but the TouchNet contract was not reported within the required period. The Procurement and Property Services Department should strengthen procedures to ensure major information system contracts are reported to the LBB within the required timeframe.	Ongoing
20-XVI	June 30, 2020	External Network Firewall Audit	Our audit objectives were to determine whether the SFA external network perimeter firewall is configured and managed to effectively protect and secure the SFA network perimeter; and provide recommendations for enhancements to improve the firewall security	The audit identified opportunities in the SFA IT environment to strengthen controls, enhance compliance, or improve processes in the follow areas: • Logical Access to Firewall • Physical Access to Firewall The University should strengthen controls, enhance compliance, and improve processes for external network firewall access.	Ongoing

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
			configuration and management, including relevant controls, processes, policies, and procedures, based on State of Texas TAC 202 minimum security controls (i.e. NIST), higher education best practices, and/or vendor recommendations and industry standards or best practices.	The audit identified opportunities in the SFA IT environment to strengthen controls, enhance compliance, or improve processes in the follow area: • Firewall Configuration and Management. The University should strengthen controls, enhance compliance, and improve processes for firewall configuration and management.	Ongoing
Special Project 19-W	October 28, 2019	Special Project Letter	Our audit objectives were to verify that the cash balance agreed or reconciled to the University's general ledger; the respective areas provided a secure environment; and custodians had taken receipts training.	While performing our procedures, we noted the following: • The general ledger reflected a temporary change fund balance that could not readily be confirmed. Location 3 should strengthen procedures for temporary change funds.	Implemented
				While performing our procedures, we noted the following: • 1 of 1 (100%) employee was past due on receipts training. Location 6 - The employee should complete the required training.	Implemented
				While performing our procedures, we noted the following: • Location 7 did not write receipts for all payments received. Location 7 - The Department should strengthen procedures to ensure compliance with University regulations for receipts.	Implemented

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				While performing our procedures, we noted the following: • Location 8 Area 1 lacked a reconciliation process. • Location 8 Area 2 lacked a reconciliation process to ensure copy machine sales reconciled to the deposit. • 2 of 3 (67%) employees were past due on receipts training. Location 8 should strengthen reconciliation procedures, and the employees should complete the required training.	Ongoing
				While performing our procedures, we noted the following: • A refund from the change fund inappropriately affected the change fund balance. Location 9 should strengthen procedures for refunds.	Implemented
				While performing our procedures, we noted the following: • Location 10 lacked a fully complete reconciliation process. Additionally, there was not a documented process for oversight of some sales. Location 10 should strengthen procedures for reconciliations and oversight of some sales.	Implemented
				While performing our procedures, we noted the following: • Location 13 lacked some procedures to safeguard access to the change fund. Location 13 should strengthen procedures to safeguard the change fund.	Implemented

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				While performing our procedures, we noted the following: • 1 of 1 (100%) employee was past due on receipts training. Location 16 - The employee should complete the required training.	Implemented
				While performing our procedures, we noted the following: • Location 17 lacked a reconciliation process. Location 17 should strengthen reconciliation procedures.	Implemented
				While performing our procedures, we noted the following: • The coin collection is not reflected on the University's general ledger. Location 10 - The coin collection should be appraised and reflected as an investment on the University's general ledger.	Ongoing
Special Project 20-H	January 28, 2020	Special Project Letter	Our audit objectives were to verify that the cash balance agreed or reconciled to the University's general ledger; the Business Office provided a secure environment; and custodians had taken receipts training.	While performing our procedures, we noted the following: • 2 of 5 (40%) of student workers had not completed receipts training. The student workers should complete the required training.	Implemented

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
Internal Project 20-01	October 28, 2019	Special Project Letter	Our audit objective was to review the policies and procedures used by Athletics.	Colby Carthel Football Camp was held at SFA in summer 2019. A University procurement card was used to purchase items for the Colby Carthel Football Camp, which is not a University owned entity. Other expenses charged to Football Operations also appear to relate to the Camp. Although some items were reimbursed, supporting documentation is needed to determine if additional items should be reimbursed. In addition, the Camp did not pay sales tax on the purchases. Athletics should review supporting documentation and determine any reimbursement owed by the Colby Carthel Football Camp to the University. In addition, Athletics and Football Operations should add procedures to monitor expenditures and prohibit non-university purchases.	Ongoing
				Football Operations employees do not document compensatory time earned and taken in compliance with University policies and procedures. The Athletic Director and Football Head Coach should work with Human Resources to establish a time reporting method that ensures compliance with University policies and procedures.	Ongoing
				Volunteer student assistants have not completed the University required volunteer form. Football Operations and Athletics should formulate a process to ensure that all volunteers complete the form required by University policies and procedures. The current volunteers should complete the form.	Ongoing
				The Football team and coaches attended a professional football game. Football Operations records did not provide sufficient details to document the activity; though the overall purpose of the trip appears to comply with NCAA regulations. Football Operations should ensure that documentation for travel and expenditures includes all information to support compliance with NCAA and University policies and procedures.	Ongoing

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				Football Operations use of job titles does not make NCAA compliance transparent. We noticed that job titles are listed differently on various websites, rosters, and information. Job duties of the Football Operations secretary are not adequately reflected in the job description or department records. The Athletic Director should work with Human Resources to align job titles with job descriptions, reports, and directory information to ensure transparency for NCAA and University compliance.	Ongoing
				The Football coaches and staff attended a conference for professional development. The documentation in the University's records did not provide sufficient details to document the trip expenditures. Football Operations should complete a schedule for the trip to ensure appropriate payments and reimbursements were made. Football Operations should ensure that supporting documentation for travel and expenditures includes all information to support compliance with University policies and procedures. The Football Operations staff responsible for travel reports should take additional travel training.	Ongoing
				Some of the Football Operations and Athletics employees who drive University vehicles have not completed the defensive driving certification and/or the required van endorsement. All applicable Football Operations and Athletic staff should take the required defensive driving course and/or obtain the required van endorsement as required by University policies and procedures.	Ongoing
				Football Operations employees and volunteers drive motorized utility vehicles. We found that some drivers had not taken the required MUV training. The Football Operations employees and volunteers that drive MUVs should complete the required training. Football Operations should add procedures to ensure that training is taken prior to driving a MUV.	Ongoing

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2020

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				We reviewed outside employment disclosures for employees that worked at Colby Carthel Football Camp and noted the following: • 11 of 16 (69%) employees had completed the outside employment disclosure for fiscal year 2019. • 5 of 16 (31%) employees had not completed the outside employment disclosure for fiscal year 2019. • 16 of 16 (100%) employees did not disclose outside employment with Colby Carthel Football Camp for fiscal year 2019. Employees should complete the required disclosure. Football Operations should develop controls to ensure annual disclosures are completed as required by University policy.	Ongoing
				Athletics manages a compliance software system with confidential information. We noted a Football Operations employee, who started work in July 2019, has access to the compliance system but has not completed security awareness training as of October 21, 2019. The employee should take the required training. Athletics should establish procedures as required by ITS policies for the software system.	Ongoing
Internal Project 20-04	January 28, 2020	Special Project Letter	Our audit objective was to review security controls for the Paciolan system.	The Intercollegiate Athletics Ticket Office uses the Paciolan ticket system for athletic events. We reviewed security controls for Paciolan and noted some security controls were not in compliance with University standards. Intercollegiate Athletics should strengthen controls to ensure compliance with ITS security policies. The ITS Security Office should perform a security assessment of the Paciolan system.	Ongoing

SFASU DEPARTMENT OF AUDIT SERVICES
NON–AUDIT AND CONSULTING SERVICES

ACTIVITY	IMPACT / OBJECTIVE
Advisor to Departments	Provided guidance to strengthen department controls
BOR Policy Review	Reviewed new or updated policies
Cash Counts	Performed surprise cash counts
Charter School Financial Audit	Coordinated and assisted with external audit
Continuous Monitoring Activities	Advised on areas for Continuous Monitoring activities; assisted with training and use of ACL
Ethics Point and Internal Projects	Investigated allegations
Financial Aid – Perkins Close Out Audit	Coordinated and assisted with approval for audit
Hotline Reporting System	Facilitated anonymous reporting system and promoted awareness of fraud and ethics issues
Information Technology Issues	Served as advisor on controls, policies, and procedures
Information Technology Risk Assessment	Identified risks and determined areas for audit
NCAA Agreed Upon Procedures Review	Coordinated and assisted with external review
Payroll Benefits Consulting	Coordinated and assisted with project
SACS Financial Statement Review	Coordinated and assisted with external review
SAP Concur Travel System Implementation	Served as an advisory member to provide information and expertise
State Auditor's Office, State Comptroller, and Texas Higher Education Coordinating Board Audits and Projects	Coordinated and assisted to aid in efficiency and provide expertise
Texas Association of College and University Auditors Board Member and Conference Presenter	Provided leadership and expertise to auditor organization
University Committees	Served as an advisory member to provide information and expertise
University Risk Assessment	Co-facilitated risk assessment

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

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

Baylor University

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:

Standard Type and Description	Opinion
IIA 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 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 Risk	Generally Conforms
IIA Code of Ethics	Generally Conforms
Generally Accepted Government Auditing Standards	Generally Conforms
Texas Internal Auditing Act	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,

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

SFASU DEPARTMENT OF AUDIT SERVICES
INTERNAL QUALITY ASSESSMENT

Audit Services performs assessments as required by standards. Annually the CAE assesses compliance with relevant standards, reviews performance measures, progress towards goals, and establishes new goals to promote continuous improvement.

Compliance with Standards

The CAE 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 annual independence disclosures.
- Participation on Quality Assurance review teams.

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 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. ***For FY 2020, overall for the two Follow-Up Audits, 70% of plans were implemented.***
- % of responses to annual risk assessment survey. ***For FY 2020 risk assessment survey, 124 out of 124 responses were received for a 100% response rate.***
- Meeting internal and external deadlines. ***Audit Services met deadlines for BOR, external entities, and internal commitments.***
- Completing audits and special projects***. For FY 2020, Audit Services issued 21 audit reports and worked on numerous internal and special projects.***
- Maintaining certifications. ***All audit staff are certified. We currently have four Certified Public Accountants and one Certified Fraud Examiner.***

SFASU DEPARTMENT OF AUDIT SERVICES
INTERNAL QUALITY ASSESSMENT

2020 Goals

The Chief Audit Executive (CAE) made the following department goals for 2020 to aid in compliance with standards and efficiency:

1. Assist the new University President. ***Audit Services worked toward this goal through meeting with the new University President.***

2. Perform Follow-Up Audit on outstanding management action plans more frequently. ***Three Follow-Up Audits were conducted in FY 2020: 20-I Follow-Up Audit as of August 31, 2019; 20-VIII Follow-Up Audit of External Information Technology Audits; and 20-XII Follow-Up Audit as of January 31, 2020.***

3. Realign audit plan hours for audits and special projects. ***The Budget for FY 2020 included realignment of the Audit and Legal Support Specialist into a Risk and Compliance Auditor.***

4. 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. ***Audit Services employees continue to enhance use of software.***

5. Gain additional expertise in Information Technology and Cybersecurity through professional development. ***The audit team members have gained expertise where applicable.***

2021 Goals

Audit Services goal is to provide value added internal auditing services in compliance with auditing standards. The CAE has identified the following goals for fiscal year 2021:

1. Adjust to a new structure due to the retirement of Assistant Director. ***The CAE has established a new structure effective September 1, 2020 and will align policies, procedures, audits, and projects with the new structure.***

2. Continue to perform Follow-Up Audits on outstanding management action plans more frequently and develop a semi-annual or quarterly reporting process. ***The audit plan proposed for FY 2021 includes hours for additional follow-up procedures.***

3. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The audit plan proposed for FY 2021 includes additional hours in this area.***

4. Continue to enhance expertise in Information Technology and Cybersecurity through professional development opportunities, meetings with IT staff, working with external audit resources, and collaborating with peers and organizations. ***The CAE will continue to provide opportunities for team members where needed.***

SFASU DEPARTMENT OF AUDIT SERVICES
FIVE YEAR AUDIT PLAN

For fiscal year 2021, allocable time after consideration of leave time is 7,663 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.

Audit Projects	2021	2022	2023	2024	2025
Audit Assistance to Oversight Agencies	X	X	X	X	X
Public Funds Investment Act (biennial)	X		X		X
Texas Administrative Code 202 (biennial)	X		X		X
Charter School (annual)	X	X	X	X	X
National Collegiate Athletic Association (annual)	X	X	X	X	X
Follow-Up	X	X	X	X	X
Contract Management and Procurement (annual)	X	X	X	X	X
Benefits Proportionality by Fund *					
Safety and Security Audit (triennial)		X			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.

Details are included in the fiscal year 2021 audit plan. Any changes to the 2021 audit plan will be made in accordance with the Audit Charter.

STEPHEN F. AUSTIN STATE UNIVERSITY FISCAL YEAR 2021 AUDIT PLAN		
PROJECT	**HIGH LEVEL DESCRIPTION**	**HOURS**
Financial, Compliance, Efficiency & Effectiveness Audits		
Construction Audit	Review compliance with regulations, contract provisions, and perform fraud assessment	400
Contract Management and Procurement Audit	Review compliance with contracting requirements	120
Departmental Audits	Review for compliance with various regulations	557
Expenditure Audit	Review controls, compliance with policies and regulations, and perform fraud assessment procedures	400
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
Facilities Audit	Review and test compliance with THECB requirements	100
Investment Audit	Verify compliance with PFIA for operating investments	150
Payroll Audit	Review controls, compliance with policies and regulations, and perform fraud assessment	500
Information Technology Audits and Projects	Perform Texas Administrative Code Section 202 audits and other IT audits and projects.	600
Follow-Up Audits	Obtain representations from management regarding status and perform verification as necessary	750
Other Activities		
Continuous Auditing	Perform regular auditing procedures	500
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
Meetings and Committee Service		
Other University Meetings/Events	Attend other meetings and events	80
Administrative Meetings, Regent Meetings, and Events	Preparation and attendance of meetings and events	250
University Committees, Meetings, and Service	Serve as advisory member of Compliance and other committees	80
Department Activities		
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	Teammate, ACL and other software	250
Professional Development and Travel	Professional development, training, and travel	320
Staff Meetings	Regular staff meetings	489
General and Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	672
General and Administrative GA	Graduate Assistant help with administrative work	350
Total Allocated Hours		7,663

STEPHEN F. AUSTIN STATE UNIVERSITY FISCAL YEAR 2021 AUDIT PLAN		
PROJECT	**HIGH LEVEL DESCRIPTION**	**HOURS**
Total Hours Per Year	*Total 2021 Budgeted positions: 4.5*	9,116
Less estimated leave:		
Sick		(320)
Vacation		(413)
Holidays		(480)
Wellness		(240)
Total Available Hours		7,663

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 the assignment of responsibility for compliance areas. The University Strategic Planning Committee and President's Cabinet also discuss 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 twenty-four members of the University community including administrators, deans, department chairs, and directors were asked to participate in the survey for fiscal year 2020-2021. The survey required each respondent to assess the impact along with the probability of the risk occurring for twenty-one identified risks as high, medium, or low. The survey also asked respondents to identify any other risks or potentially fraudulent activities. In addition, sixty-two departmental questions were asked to assess departmental risks. Responses to these questions were weighted to determine an overall department risk ranking. The 2020-21 survey had a 100% response rate. The survey was used by Audit Services in the development of the fiscal year 2021 audit plan and also by administration and responsible parties to assess risks.

The risk assessment information was 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 top ten risks were presented to the BOR Finance and Audit Committee.

The fiscal year 2021 audit plan was approved by the BOR on July 21, 2020. It 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 2021 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 audits, especially for decentralized areas; specific compliance areas and requirements; remote learning environment and changes due to COVID-19; and funds that are under the control of other entities or agencies.

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, 2019.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2019.
Myers and Stauffer, L.C.	Perform internal audit services related to Information Technology.
Belt Harris Pechacek, LLLP	Perform audit the financial statements of the University, which comprise the Statements of Net Position of the University as of August 31, 2019 and the related Statements of Revenues, Expense, Changes in Net Position and Statements of Cash Flows for the year then ended.

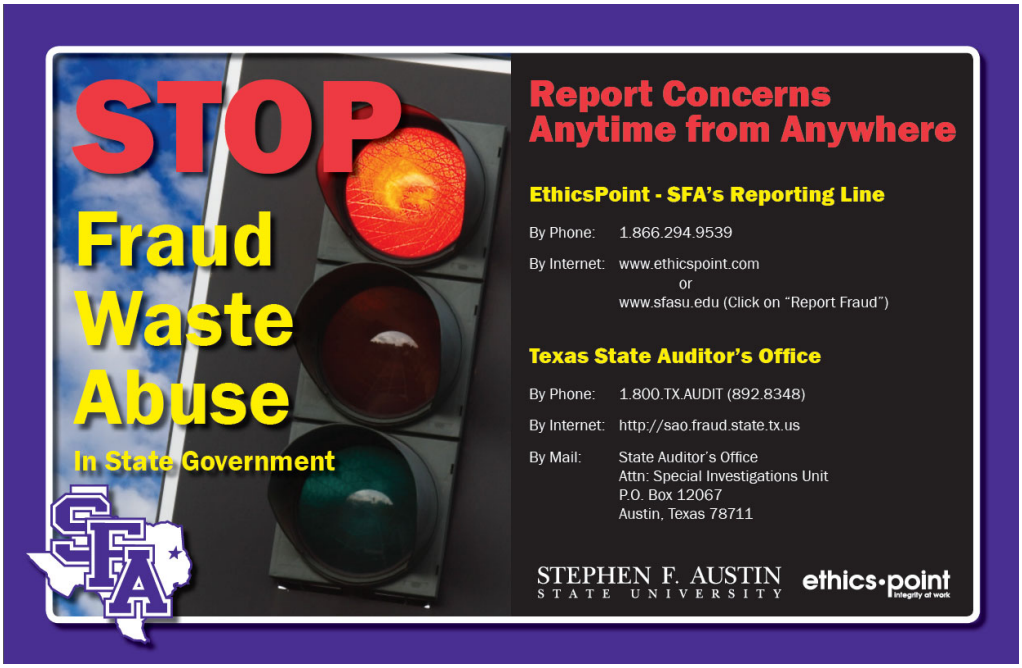
SFASU DEPARTMENT OF AUDIT SERVICES
REPORTING SUSPECTED FRAUD AND ABUSE

In order to implement the requirements of Article IX, Section 7.09, page IX-37, the General Appropriations Act (86th 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:



- Policy 2.6, *Ethics,* requires Ethics training annually for all University employees.

- New employees are informed of the fraud and ethics program in employee orientation.

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

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

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

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

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 26, 2020.