

Stephen F. Austin State University

Annual Audit Report

**For the Fiscal Year Ended
August 31, 2021**

Audit Report 21-XVII



Department of Audit Services

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FISCAL YEAR 2021 ANNUAL AUDIT REPORT
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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 2021 has been challenging in many ways for Audit Services. The audit team transitioned to a new department structure with the retirement of a long-term assistant director, which reduced the staff by one person. We continued to navigate auditing in a "COVID-19" environment and performed some audit work remotely. To aid in audit efficiency, we implemented the cloud version of our audit software and can access audit information from any location at any time.

Audit Services gained expertise in information technology risks and controls. Of special note, we collaborated with the ITS Security Office to develop a survey tool to assess application risks. We will pursue this collaboration in Fiscal Year 2022 for other IT risks. During the year, we implemented an audit ratings system as discussed in Tab VII.

Audit Services operated with a staff of 4.5 for Fiscal Year 2021. The BOR approved the Fiscal Year 2022 Audit Plan on July 27, 2021; a revised Audit Plan as shown in Tab VIII was approved on September 12, 2021. The revised Audit Plan includes a Budget project which was requested by the BOR.

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

Respectfully Submitted,



Gina Oglesbee, CPA, CFE
Chief Audit Executive

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 2021 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 2021

The following table details Audit Services progress on the fiscal year 2021 Audit Plan:

| # | AUDIT NAME | STATUS AT 08/31/21 |
|----------|--|--------------------|
| 20-XVII | Information Technology Services Departmental Audit | Completed |
| 20-XVIII | Student Success Center Departmental Audit | Completed |
| 21-I | Follow-Up Audit | Completed |
| 21-II | University Expenditures and Payments Audit | Completed |
| 21-III | Follow-Up Audit of External Information Technology Audits | Completed |
| 21-IV | TAC 202 Information Security Audit | Completed |
| 21-V | Health Services Departmental Audit | Completed |
| 21-VI | Follow-Up Audit | Completed |
| 21-VII | University Payroll Expenditures Audit | Completed |
| 21-VIII | Public Funds Investment Act as of May 31, 2021 | In Progress |
| 21-IX | Spirit Programs Departmental Audit | Completed |
| 21-X | Construction Management Close-Out Audit | In Progress |
| 21-XI | University Payroll Expenditures Audit Non-Exempt & Student Employees | Completed |
| 21-XII | Contract Management and Procurement Audit | Completed |
| 21-XIII | Benefits Proportional by Method of Finance Audit | Completed |
| 21-XIV | Tuition Set Asides | In Progress |
| 21-XV | Early Childhood Lab | In Progress |

Audit Services had the following deviations from the fiscal year 2021 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 2021. The agreed upon procedures will be performed by an external audit firm when liquidated in fiscal year 2022. The project is included on the fiscal year 2022 Audit Plan under External Audit Assistance. |

SFASU DEPARTMENT OF AUDIT SERVICES SUMMARY OF AUDITS FOR FISCAL YEAR 2021

The following audit reports from fiscal year 2021 addressed specific higher education requirements:

| # | REPORT NAME | HIGHER EDUCATION REQUIREMENT |
|---------|---|--|
| 21-III | Follow-Up Audit of External Information Technology Audits | TAC 202.76 requirement to review the information security program at least biennially. |
| 21-IV | TAC 202 Information Security Audit | TAC 202.76 requirement to review the information security program at least biennially. |
| 21-XII | Contract Management and Procurement 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. |
| 21-XIII | Benefits Proportional by Method of Finance Audit | Benefits Proportionality Audit requirement to examine fiscal year 2019 as prescribed in Rider 8, page III-48, the General Appropriations Act (86 th Legislature). |

The List of Audits in Tab IV details high-level audit objectives and recommendations. The current status is as of July 27, 2021.

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|---------------|--|---|---|----------------|
| 20-XVII | June 30, 2020 | Information Technology Services Departmental Audit | <p>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.</p> <p>We found that the Department of Information Technology Services has controls in place to generally conform with requirements in areas tested related to our audit objectives.</p> | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> 9 of 66 (14%) employees were past due or had not been assigned FERPA training. 16 of 89 (18%) employees were past due for Security Awareness training. | Implemented |
| | | | | <p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> 25 of 32 (78%) procurement card transactions were reviewed with no exceptions. 7 of 32 (22%) procurement card transactions were reviewed with one or more exceptions. <p>In addition, the Department had seven procurement cards. Of the thirteen monthly detailed transaction reports sampled, six (46%) were reviewed with one or more exceptions.</p> | Implemented |
| | | | | <p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> 3 of 5 (60%) travel expense reports were reviewed with one or more exceptions. | Implemented |
| | | | | <p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> | Ongoing |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|-----------------------|-------------|---|---|-----------------|-----------------------|----------|------------------------------|----|----|----------------------------|-----|-----|------------------|----|----|------------------------------|-----|-----|--------------------------|----|----|----------------|-----|----|--------------------------|----|-----|--------------------------------|----|----|-------------|
| | | | | <p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Administrative Office</th><th>LINC Lab</th></tr><tr><td>Proper Segregation of Duties</td><td>No</td><td>No</td></tr><tr><td>Written Receipt Procedures</td><td>Yes</td><td>Yes</td></tr><tr><td>Receipts Signage</td><td>No</td><td>No</td></tr><tr><td>Record Retention Requirement</td><td>Yes</td><td>Yes</td></tr><tr><td>Job Description Language</td><td>No</td><td>No</td></tr><tr><td>Timely Deposit</td><td>Yes</td><td>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td><td>Yes</td></tr><tr><td>Receipts and Deposits Training</td><td>No</td><td>No</td></tr></table> | Receipt Control | Administrative Office | LINC Lab | Proper Segregation of Duties | No | No | Written Receipt Procedures | Yes | Yes | Receipts Signage | No | No | Record Retention Requirement | Yes | Yes | Job Description Language | No | No | Timely Deposit | Yes | No | Fully Completed Receipts | No | Yes | Receipts and Deposits Training | No | No | Implemented |
| Receipt Control | Administrative Office | LINC Lab | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proper Segregation of Duties | No | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Written Receipt Procedures | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Receipts Signage | No | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Record Retention Requirement | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Job Description Language | No | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Timely Deposit | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fully Completed Receipts | No | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Receipts and Deposits Training | No | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | <p>During our review of leave reporting, we found the following:</p> <ul style="list-style-type: none">For non-exempt employees, 31 of 171 (18%) instances of leave taken or requested were not supported by documentation. | Implemented | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|---------------|---|--|--|----------------|
| 20-XVIII | June 30, 2020 | Student Success Center Departmental Audit | <p>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.</p> <p>We found that the Student Success Center has controls in place to generally conform with requirements in areas tested related to our audit objectives.</p> | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> 4 of 22 (18%) employees had not completed Ethics training. 2 of 7 (29%) employees had not completed or been assigned FERPA training. 4 of 22 (18%) employees were past due for Security Awareness training. | Implemented |
| | | | | <p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> 2 of 3 (67%) travel expense reports were reviewed with one or more exceptions. | Implemented |
| | | | | <p>During our review of time and leave reporting, we found the following:</p> <ul style="list-style-type: none"> For non-exempt employees, 4 of 14 (29%) instances of leave taken or requested were not supported by documentation. Leave requests were not maintained as required. We noted instances where hours for student workers were not recorded in Time Clock Plus in a timely manner. | Implemented |
| | | | | <p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> | Implemented |
| | | | | <p>We noted that the Department was involved in the receipt process for a University scholarship but did not have formal receipt procedures.</p> | Implemented |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|---------------|-----------------|--|--|----------------|
| 21-I | July 31, 2020 | Follow-Up Audit | <p>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 July 31, 2020; which consisted of those remaining from our previous Follow-Up Audit as of January 31, 2020 and management action plans from audits performed subsequent to that date during fiscal year 2020 (as of the July 2020 Board of Regents meeting). In March 2020, University operations were significantly impacted by the COVID-19 pandemic. As a result, in some instances management action was taken after the July 31, 2020 date but prior to the completion of the Follow-Up Audit.</p> <p>Though significant progress has been made toward implementing the management action plans as evidenced by the 61 % that are either Closed, Implemented, or Verified, additional action is needed for some plans to ensure implementation.</p> | <p>Though significant progress has been made toward implementing the management action plans as evidenced by the 61% that are either Closed, 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 July 31, 2020.</p> | Ongoing |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
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| 21-II | Fiscal Years 2019 and 2020 | University Expenditures and Payments Audit | <p>The audit objective was to gain assurance that controls and processes for University expenditures and payments exist and were operating as intended, including</p> <ul style="list-style-type: none"> University expenditures and payments were accurate; University expenditures and payments were appropriately authorized and approved; University expenditures and payments were adequately supported by documentation; University expenditures and payments were in compliance with regulations; and Opportunities for fraud related to expenditures and payments were minimized. | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> Per policy 17.19, Purchase Requisition, purchase requisitions are initiated and approved by Banner account managers and processed for authorization through Banner approval queues. The purchasing approval for Banner account managers and supervisors through the queues is assumed but not formally authorized. The approval authority in the Banner queues is not congruent with policy 17.5, Delegated Purchasing Authority, Delegation of Contracting Authority Memorandums, and policy 3.9, Department Budgeting and Accounting Responsibilities. In policy 17.20, Purchase Voucher, purchase vouchers are processed based on approval by the Banner account manager. The purchasing approval authority for Banner account managers is assumed but not formally authorized. Policy 17.20, Purchase Voucher, lists purchases that may be made using a purchase voucher instead of a purchase requisition. The Accounts Payable Department within the Controller's Office has a Purchase Voucher/Direct Pay procedure for processing purchases made on a purchase voucher or through direct pay, which is a payment made without a purchase voucher or purchase order. The types of purchases that may be made using a purchase voucher in the Purchase Voucher/Direct Pay procedure differs from the list provided in policy 17.20. In addition, direct pays are not specifically addressed in University policies; thus, approval is not formally authorized. <p>Observation Rating: Low</p> <p>The University should strengthen policies and procedures for purchasing authority.</p> | Ongoing |
| | | | <p>We gained assurance that controls and processes for University Expenditures and Payments generally existed and were operating as intended. Expenditures and payments appeared to be accurate; authorized and approved; supported by</p> | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> Four employees have access to Banner forms to process payments and also have access to bank reconciliations, which does not appear to provide a proper segregation of duties. Eleven employees have access to change the Banner approval queues, which does not appear to be based on the principle of "least required access." | Ongoing |

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|----------|------------------|---|---|---|----------------|
| | | | documentation; in compliance with regulations; and opportunities for fraud appeared to be minimized. | <ul style="list-style-type: none"> The University utilizes PaymentWorks for vendor onboarding and management. Some access roles in use are not defined in the PaymentWorks procedure manual, and two user roles, including a shared account, do not appear to be based on the principle of "least required access." The vendor database in Banner is managed through a form. There are nineteen users, including accounts payable employees, with maintenance access which does not appear to be based on the principle of "least required access." Vendor bank information in Banner is managed through a form. There are thirteen users with maintenance access which does not appear to be based on the principle of "least required access." <p>Observation Rating: Medium</p> <p>The University should strengthen security control activities by reviewing and adjusting system access to forms and processes related to expenditures and payments.</p> | |
| 21-III | January 31, 2021 | Follow-Up Audit of External Information Technology Audits | The audit objectives were to determine whether corrective actions and recommendations have been implemented by the University to remediate audit findings identified as a result of the information technology (IT) audits performed in fiscal year 2020, specifically the Audit of Prior Information Technology Audit Findings and Recommendations and the Audit of the SFA External Network Firewall, and provide recommendations for enhancements to improve the relevant controls, processes, policies, and | <p>The audit identified opportunities in the SFA Active Directory configuration and management to strengthen controls, enhance compliance, or improve processes in the following areas:</p> <ul style="list-style-type: none"> Password and Security Configurations Account Management Procedures. <p>Observation Rating: High</p> <p>The University should strengthen controls, enhance compliance, and improve processes for the SFA Active Directory configuration and account management.</p> <p>Update 04/14/21: ITS should strengthen controls, enhance compliance, and improve processes for the SFA Active Directory. Specifically, ITS should consider implementing password settings and security configurations for specific groups of users through Active Directory configuration. In addition, ITS should review and document generic and service active directory accounts, inactive accounts, and unused accounts, and formally document the acceptance of risk.</p> | Ongoing |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|------------|-------------|--|--|----------------|
| | | | <p>procedures based on TAC 202 minimum security controls and/or higher education best practices, and/or vendor recommendations and industry standards or best practices.</p> <p>We found that some corrective actions and recommendations have been implemented or improved to remediate audit findings from information technology audits performed in fiscal year 2020. However, the audit identified or confirmed weaknesses in system and process controls that had not been remediated.</p> | <p>The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for patch management.</p> <p>Observation Rating: Priority</p> <p>The University should strengthen controls for patch management.</p> <p>Update 04/14/21: ITS should strengthen controls, enhance compliance, and improve processes for patching servers and workstations. Specifically, ITS should ensure server and workstation patches are applied timely and evidence retained; develop a formal process for ensuring third-party vendor patches are applied timely and consistently; and strengthen processes for maintaining an accurate and updated inventory of active workstations. ITS should review and formally document the acceptance of risk.</p> | Ongoing |
| | | | | <p>The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for antivirus management.</p> <p>Observation Rating: High</p> <p>The University should strengthen controls for antivirus management.</p> <p>Update 04/14/21: ITS should strengthen controls, enhance compliance, and improve processes for antivirus management. Specifically, ITS should ensure servers and workstations have current antivirus software or formally document the acceptance of risk.</p> | Ongoing |

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|----------|------------|-------------|---|---|----------------|
| | | | | <p>The audit identified opportunities in the IT environment to strengthen controls, enhance compliance, and improve processes for vulnerability management.</p> <p>Observation Rating: Priority</p> <p>The University should strengthen controls for vulnerability management.</p> <p>Update 04/14/21: ITS should strengthen controls, enhance compliance, and improve processes for vulnerability management. Specifically, ITS should mature the process for vulnerability management and review the vulnerability assessment results and formally document remediation or the acceptance of risk.</p> | Ongoing |
| | | | | <p>The audit identified opportunities in the SFA IT environment to strengthen controls, enhance compliance, or improve processes in the follow areas:</p> <ul style="list-style-type: none"> Logical Access to Firewall Physical Access to Firewall <p>Observation Rating: High</p> <p>The University should strengthen controls, enhance compliance, and improve processes for external network firewall access.</p> | Ongoing |
| | | | | <p>The audit identified opportunities in the SFA IT environment to strengthen controls, enhance compliance, or improve processes in the follow area:</p> <ul style="list-style-type: none"> Firewall Configuration and Management. <p>Observation Rating: High</p> <p>The University should strengthen controls, enhance compliance, and improve processes for firewall configuration and management.</p> | Ongoing |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|--------------------|------------------------------------|--|---|----------------|
| 21-IV | September 30, 2020 | TAC 202 Information Security Audit | <p>The audit objectives were to determine whether the University was in compliance with the TAC 202 information security regulations; the University's information security program was in compliance with the DIR Security Control Standards Catalog minimum requirements; and whether previous TAC 202 audit management action plans were implemented.</p> <p>We gained assurance that the University was Generally in Compliance with the TAC 202 information security regulations. In addition, we gained assurance that the University's information security program was Generally in Compliance with the DIR Security Controls Standards Catalog minimum requirements as 115 out of 127 (91%) required controls appeared to be Generally in Compliance.</p> | <p>The University's information security program lacked formal processes for assessing and managing security risks. For the TAC 202 sections listed in the table above, the University had partially implemented processes or controls.</p> <p>Observation Rating: Medium</p> <p>The University should formalize processes and controls for assessing and managing security risks.</p> | Ongoing |
| 21-V | August 31, 2020 | Health Services Departmental Audit | <p>Our audit objectives were to gain assurance for the following where applicable: existence of appropriate internal controls; administration of resources</p> | <p>The Department lacked documented administrative policies and procedures in some areas of oversight.</p> <p>The Department should add or strengthen documented policies and procedures for administrative activities.</p> | Implemented |

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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. We found that the Department of Health Services had controls in place to generally conform with requirements in areas tested related to our audit objectives. | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • 2 of 13 (15%) employees had not completed the required nepotism disclosure. • 3 of 13 (23%) employees had not completed the required outside employment disclosure. • 2 of 13 (15%) employees had not completed the required vendor relations disclosure. <p>The employees should complete the required disclosures.</p> | Implemented |
| | | | | <p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> • 2 of 2 (100%) travel expense reports were reviewed with one or more exceptions. <p>The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</p> | Implemented |
| | | | | <p>During our review of leave reporting, we found the following:</p> <ul style="list-style-type: none"> • For hourly and non-exempt employees, 4 of 28 (14%) instances of leave taken or requested were not supported by documentation. • For exempt employees, 18 of 28 (64%) instances of leave taken or requested were not supported by documentation. Extended leave taken by one employee was not recorded in Banner. <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p> | Implemented |

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|----------|------------------|-----------------|--|--|----------------|
| | | | | <p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> <p>The Department should strengthen security procedures.</p> | Implemented |
| 21-VI | February 2, 2021 | Follow-Up Audit | <p>The audit objective was to gain assurance that management action plans have been implemented in an appropriate manner. The audit scope included outstanding management action plans as of February 2, 2021; which consisted of those remaining from our previous Follow-Up Audit as of July 31, 2020 and management action plans from audits performed subsequent to that date during fiscal year 2021 (as of the February 2, 2021 Board of Regents meeting).</p> <p>Though significant progress has been made toward implementing the management action plans as evidenced by the 63% 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 February 2, 2021 .</p> | <p>Though significant progress has been made toward implementing the management action plans as evidenced by the 63% 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 February 2, 2021.</p> | Ongoing |

**SFASU DEPARTMENT OF AUDIT SERVICES
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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|-----------------|--|--|----------------------------------|----------------|
| 21-VII | August 31, 2020 | University Payroll Expenditures and Payments | <p>The audit objective was to gain assurance that controls and processes for University payroll expenditures existed and were operating as intended, including:</p> <ul style="list-style-type: none"> • University payroll expenditures were accurate; • University payroll expenditures were authorized and appropriately approved; • University payroll expenditures were adequately supported by documentation; • University payroll expenditures were in compliance with regulations; • Confidential payroll information was protected; • Opportunities for fraud related to payroll expenditures were minimized; and • University had implemented previous payroll related audit management action plans. | None | |

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|----------|-----------------|------------------------------------|---|---|----------------|
| | | | We gained assurance that controls and processes for University Payroll Expenditures generally existed and were operating as intended. Payroll Expenditures appeared to be accurate; authorized and approved; supported by documentation; and in compliance with regulations. In addition, opportunities for fraud appeared to be minimized, and confidential information appeared to be protected. | | |
| 21-IX | August 31, 2020 | Spirit Programs 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. | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> 3 of 4 (75%) employees had not completed the required nepotism, outside employment, and vendor relations disclosures. <p>The employees should complete the required disclosures.</p> | Implemented |
| | | | | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> 1 of 4 (25%) employee had not completed Security Awareness training. 1 of 4 (25%) employees had not been assigned CPM training. <p>The employees should complete the required trainings.</p> | Implemented |

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| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status | | | | | | | | | | | | | | | | | | |
|--------------------------------|------------|-------------|---|--|-----------------|------------|------------------------------|-----|----------------------------|-----|------------------|-----|------------------------------|-----|--------------------------|----|----------------|-----|--------------------------|----|--------------------------------|-----|-------------|
| | | | We found that Spirit Programs has controls in place to generally conform with requirements in areas tested related to our audit objectives. | <p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><tr><td>Proper Segregation of Duties</td><td>Yes</td></tr><tr><td>Written Receipt Procedures</td><td>Yes</td></tr><tr><td>Receipts Signage</td><td>Yes</td></tr><tr><td>Record Retention Requirement</td><td>Yes</td></tr><tr><td>Job Description Language</td><td>No</td></tr><tr><td>Timely Deposit</td><td>Yes</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits Training</td><td>Yes</td></tr></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p> | Receipt Control | Department | Proper Segregation of Duties | Yes | Written Receipt Procedures | Yes | Receipts Signage | Yes | Record Retention Requirement | Yes | Job Description Language | No | Timely Deposit | Yes | Fully Completed Receipts | No | Receipts and Deposits Training | Yes | Implemented |
| Receipt Control | Department | | | | | | | | | | | | | | | | | | | | | | |
| Proper Segregation of Duties | Yes | | | | | | | | | | | | | | | | | | | | | | |
| Written Receipt Procedures | Yes | | | | | | | | | | | | | | | | | | | | | | |
| Receipts Signage | Yes | | | | | | | | | | | | | | | | | | | | | | |
| Record Retention Requirement | Yes | | | | | | | | | | | | | | | | | | | | | | |
| Job Description Language | No | | | | | | | | | | | | | | | | | | | | | | |
| Timely Deposit | Yes | | | | | | | | | | | | | | | | | | | | | | |
| Fully Completed Receipts | No | | | | | | | | | | | | | | | | | | | | | | |
| Receipts and Deposits Training | Yes | | | | | | | | | | | | | | | | | | | | | | |

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|-----------------|---|--|--|----------------|
| 21-XI | August 31, 2020 | University Payroll Expenditure Non-Exempt & Student Employees Audit | <p>The audit objective was to gain assurance that controls and processes for University payroll expenditures existed and were operating as intended, including: University payroll expenditures were accurate; University payroll expenditures were authorized and appropriately approved; University payroll expenditures were adequately supported by documentation; University payroll expenditures were in compliance with regulations; Confidential payroll information was protected; and Opportunities for fraud related to payroll expenditures were minimized.</p> <p>We gained assurance that controls and processes for University Payroll Expenditures generally existed and were operating as intended. Payroll expenditures appeared to be accurate; authorized and approved; supported by documentation; and in compliance with regulations. In addition, opportunities for</p> | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none">101 of 1,434 (7%) student employees appear to be inactive (not paid in last six months) but were still reflected as employees. In addition, 43 of 101 (43%) inactive student employees have graduated or were not currently taking classes.154 of 924 (17%) EPAFs for student employees were created after the employee's hire date.2 of 29 (7%) EPAFs for non-exempt employees were created after the employee's hire date.13 of 80 (16%) EPAFs for hourly employees were created after the employee's hire date.167 of 423 (39%) separation EPAFs for student employees were created more than 31 days after the employee's termination date.9 of 45 (20%) separation EPAFs for hourly employees were created more than 31 days after the employee's termination date. <p>Observation Rating: Medium</p> <p>The University should strengthen procedures for EPAFs to ensure timely hiring and termination. In addition, Human Resources should enhance continuous monitoring procedures for EPAFs and develop ramifications for non-compliance by departments.</p> | Ongoing |
| | | | <p>During our audit procedures, we noted that hours and commissions captured in TCP were not formally reconciled with Banner in a consistent and timely manner.</p> <p>Observation Rating: Medium</p> <p>The Controller's Office should strengthen TCP reconciliation procedures.</p> | Ongoing | |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|------------|-------------|--|---|----------------|
| | | | fraud appeared to be minimized, and confidential information appeared to be protected. | <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • Documented procedures were not available for TCP security functions. • User roles were not defined in Payroll Office procedures. • Shared accounts and accounts not based on the principle of "least required access" appeared to be in use. • Access logs were not available. <p>Observation Rating: Medium</p> <p>The Controller's Office should strengthen security controls to ensure compliance with ITS security policies. The ITS Security Office should perform a security assessment of TCP.</p> | Ongoing |
| | | | | <p>During our audit procedures, we noted that salaries for 50 of 214 (23%) graduate assistants were not within the range recommended by the Office of Research and Graduate Studies (ORGS), though the salary may have been appropriate. Most graduate assistants are funded through ORGS, but some departments fund their own graduate assistants. Of the 50 graduate assistants, 24 (48%) were funded by departments.</p> <p>Observation Rating: Medium</p> <p>ORGS should formalize the graduate assistant salary ranges for use by all University departments with graduate assistants and strengthen monitoring procedures.</p> | Ongoing |

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|----------------|---|--|---|----------------|
| 21-XII | April 30, 2021 | Contract Management and Procurement Audit | <p>The 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 University implemented previous contract management audit management action plans.</p> <p>We gained assurance that the University was generally in compliance with adopting the rules and policies required by TEC §51.9337. In our risk-based contract testing, we found that contracts for a construction project did not follow all of the adopted rules and regulations; thus, the University was partially in compliance with administering contract management functions for selected contracts in accordance with applicable requirements. The management action plans from the previous audit were implemented.</p> | <p>Policy 1.4, <i>Items Requiring Board of Regents Approval</i>, is confusing with regard to approval of project budget, Guaranteed Maximum Price (GMP), and change orders. The policy requires the project budget and change orders above the GMP to be approved, but does not require approval of the GMP. Approval requirements for contracts over \$1 million as required by TEC §51.9337(f) are not directly included for construction projects. In addition, the timeframe of the approval is not specified.</p> <p>We also noted that THECB requirements for project review and certification by the BOR are not clearly stated in Policy 1.4, <i>Items Requiring Board of Regents Approval</i>. As a result, the University had not obtained the appropriate BOR certification and submitted the Fine Arts Expansion Project application to THECB for review as of the audit date.</p> <p>Observation Rating: Medium</p> <p>Policy 1.4, <i>Items Requiring Board of Regents Approval</i>, should be reviewed and consideration given to the BOR approving the project budget, GMP, and change orders above the GMP within a certain timeframe, along with specifically incorporating requirements of TEC §51.9337(f) and TAC Title 19, §17.10 and §17.21. In addition, the University should obtain appropriate BOR certification for the Fine Arts Expansion Project and submit the required application to THECB for review.</p> | Ongoing |
| | | | | <p>While performing risk-based contract testing, we selected the Basketball Practice Facility (BPF) construction contract for audit. We reviewed for compliance with Policy 1.4, <i>Items Requiring Board of Regents Approval</i>. The BPF was included in BOR Order 19-09 (see Appendix 3) authorizing the issuance of bonds for several projects in October 2018. BOR action was as follows:</p> <p style="padding-left: 40px;">“THEREFORE, it was ordered that the bond resolution in Appendix 4 and financing of these projects be approved. The president was authorized to sign project-associated contracts and purchase orders that are \$100,000 or greater.”</p> <p>Within BOR Order 19-09, the BPF was estimated in the list of projects for \$26 million. At the same BOR meeting, the BOR selected an architect and construction manager at risk (CMAR). However, the BPF project budget was not specifically approved by action of the BOR as required by Policy 1.4, <i>Items Requiring Board of Regents Approval</i>.</p> | Ongoing |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|------------|-------------|--|--|----------------|
| | | | | <p>In subsequent BOR meetings, quarterly construction update reports presented the project budget of \$26 million and reflected BOR approval in October 2018; though the project budget was not specifically approved at that time.</p> <p>In May 2019, the BOR approved a CMAR contract amendment for an initial GMP for the BPF of \$1,369,388. The BOR action was as follows:</p> <p style="padding-left: 40px;">“WHEREAS, the board members considered the following: Basketball Practice Facility site work drawings were approximately 90% completed. However, current drawings will allow initial construction activity to begin. The contract with the construction manager-at-risk (CMAR) KDW, authorizes preconstruction project expenditures. To begin construction activity, the regents must authorize project construction expenditures. The CMAR has provided an initial gross maximum price (GMP) for the first phase of construction activity. A contract amendment and approval of an initial GMP will allow construction activity to begin this summer. The regents will consider a total project cost at a later meeting date.</p> <p style="padding-left: 40px;">THEREFORE, the board approved the Basketball Practice Facility CMAR contract amendment with KDW and an associated initial Basketball Practice Facility construction-related GMP cost of \$1,369,388. The president was authorized to sign the related contract(s) and purchase orders.”</p> <p>This action item in May 2019 authorized project construction expenditures to begin construction activity; approved initial GMP; and referred to future action to consider a total project cost which recognized that the total project budget had not been specifically approved.</p> <p>In October 2019, the University executed a CMAR contract amendment that established total GMP of \$25,188,374 which included the initial GMP of \$1,369,388 for Phase I (approved by the BOR in May 2019) and \$23,818,986 for Phase II GMP. TEC §51.9337(f) states, “An institution of higher education may not enter into a contract with a value of more than \$1 million, including any amendment, extension, or renewal of the contract that increases the value of the original contract to more than \$1 million, unless the institution's board of regents approves the contract, expressly delegates authority to exceed that amount, or expressly adopts an exception for that contract. The board must approve any amendment, extension, or renewal of a contract with a value that exceeds 25 percent of the value of the original contract approved by the board unless the authority to exceed the approved amount is expressly delegated by the board or an exception is expressly adopted by the board for that contract.” Since</p> | |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|------------|-------------|--|--|----------------|
| | | | | <p>the Phase II GMP and/or project budget was not specifically approved by the BOR, the contract amendment for Phase II was not clearly authorized by the BOR.</p> <p>In January 2020, the BOR approved a \$2.5 million increase to the BPF project budget for a total of \$28.5 million. This action specifically approved the BPF project budget at \$28.5 million.</p> <p>In July 2020, the University executed a change order and contract amendment that transferred \$132,330.80 from Phase I GMP to Phase II GMP and added services that increased Phase II GMP by \$274,230. Per Policy 1.4, <i>Items Requiring Board of Regents Approval</i>, change orders that would increase the cost of the project beyond the amount of the GMP should be approved by the BOR. This change order and contract amendment for \$274,230 was not approved by the BOR.</p> <p>In February 2021, the BOR approved a \$732,845 increase in the BPF project budget to recognize investment earnings for a total project budget of \$29,232,845.</p> <p>In quarterly construction update reports to the BOR for July 2020, October 2020, February 2021, and April 2021, the Phase II GMP was incorrectly reflected on the reports to the BOR as \$25,462,604 instead of \$24,225,547; however, the total GMP of \$25,462,604 was correctly reflected.</p> <p>The BPF contracts did not follow all of the adopted rules and regulations in Policy 1.4, <i>Items Requiring Board of Regents Approval</i>.</p> <p>Observation Rating: High</p> <p>The University should strengthen controls for construction contract management. The contract amendment for the Phase II GMP should be ratified by the BOR to meet the TEC §51.9337(f) requirement and University policy. The contract amendment/change order that increased GMP should be approved by the BOR as required by Policy 1.4, <i>Items Requiring Board of Regents Approval</i>.</p> <p>Reporting procedures for construction update reports should be enhanced to ensure accuracy. The BPF construction update report should be adjusted to present the correct Phase II GMP.</p> | |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------|---|--|----------------|---|-----------------|--|------|----------------|------------------------------|--------------|----------------|--------------|----------------|--------------|--------------|-----|---------------------|--------------|--------------|--------------|---|--------------|-------------|-------------|---------|
| | | | | <p>Based on Observation 2 for the Basketball Practice Facility, Audit Services reviewed the other construction projects included in the BOR resolution authorizing the issuance of bonds in October 2018 and found the following:</p> <table><tr><th rowspan="2">Project</th><th rowspan="2">Estimate in Board Order 19-09 (see Appendix 3) October 2018</th><th colspan="2">Approved by BOR</th></tr><tr><th>Date</th><th>Project Budget</th></tr><tr><td>Basketball Practice Facility</td><td>\$26,000,000</td><td>*February 2021</td><td>\$29,232,845</td></tr><tr><td>Welcome Center</td><td>\$13,000,000</td><td>October 2019</td><td>\$0</td></tr><tr><td>Fine Arts Expansion</td><td>\$37,000,000</td><td>October 2019</td><td>\$50,000,000</td></tr><tr><td>Student Residential and Dining Facilities</td><td>\$39,500,000</td><td>**No action</td><td>**No action</td></tr></table> <p>* See Observation 2.</p> <p>** The project is noted on the quarterly construction update reports for January 2019 and April 2019 as \$39.5 million approved by BOR in October 2018, but the approval is not shown on the reports after April 2019 through April 2021.</p> <p>Although a combined total of \$1,328,450 (Residential Hall \$1,134,006 and Student Dining Hall \$194,444) in expenditures was reflected on the construction update reports as of April 20, 2021, the Student Residential and Dining Facilities project budget has not been approved by the BOR as required by Policy 1.4, Items Requiring Board of Regents Approval.</p> <p>Observation Rating: High</p> <p>The University should clarify the project budget for the Student Residential and Dining Facilities and submit for approval by the BOR, along with strengthening construction contract management controls as discussed in Observation 2.</p> | Project | Estimate in Board Order 19-09 (see Appendix 3) October 2018 | Approved by BOR | | Date | Project Budget | Basketball Practice Facility | \$26,000,000 | *February 2021 | \$29,232,845 | Welcome Center | \$13,000,000 | October 2019 | \$0 | Fine Arts Expansion | \$37,000,000 | October 2019 | \$50,000,000 | Student Residential and Dining Facilities | \$39,500,000 | **No action | **No action | Ongoing |
| Project | Estimate in Board Order 19-09 (see Appendix 3) October 2018 | Approved by BOR | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Date | Project Budget | | | | | | | | | | | | | | | | | | | | | | | | |
| Basketball Practice Facility | \$26,000,000 | *February 2021 | \$29,232,845 | | | | | | | | | | | | | | | | | | | | | | | | |
| Welcome Center | \$13,000,000 | October 2019 | \$0 | | | | | | | | | | | | | | | | | | | | | | | | |
| Fine Arts Expansion | \$37,000,000 | October 2019 | \$50,000,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Student Residential and Dining Facilities | \$39,500,000 | **No action | **No action | | | | | | | | | | | | | | | | | | | | | | | | |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|-----------------|-------------|---|--|-----------------|-----------------|--|--|----------------------|--|--|----------|-----------|-------|----------|-----------|-------|-------------|---|-----|-----|---|-----|-----|-----------------|---|----|----|---|----|----|---------|---|-----|-----|---|-----|-----|-------------|-----|-----|-----|-----|-----|-----|-----------------|-----|----|----|-----|----|----|---------|------|------|------|------|------|------|-------------|
| | | | | <p>Policies 2.6, Ethics, and 17.25, Procurement Training, prescribe regular training for officers and employees in ethics and procurement.</p> <p>We tested training completion for the 305 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:</p> <table><tr><th rowspan="2">Training Status</th><th colspan="3">Ethics Training</th><th colspan="3">Procurement Training</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>7</td><td>281</td><td>288</td><td>8</td><td>284</td><td>292</td></tr><tr><td># Not Completed</td><td>2</td><td>15</td><td>17</td><td>1</td><td>12</td><td>13</td></tr><tr><td>Total #</td><td>9</td><td>296</td><td>305</td><td>9</td><td>296</td><td>305</td></tr><tr><td>% Completed</td><td>78%</td><td>95%</td><td>94%</td><td>89%</td><td>96%</td><td>96%</td></tr><tr><td>% Not Completed</td><td>22%</td><td>5%</td><td>6%</td><td>11%</td><td>4%</td><td>4%</td></tr><tr><td>Total %</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr></table> <p>The University process effectively provided trainings to employees as evidenced by the overall 95% completion rate. The trainings for officers fall outside the process for employees; thus some trainings for officers were not completed.</p> <p>Observation Rating: Medium</p> <p>The trainings for officers should be deployed with a due date for completion.</p> | Training Status | Ethics Training | | | Procurement Training | | | Officers | Employees | Total | Officers | Employees | Total | # Completed | 7 | 281 | 288 | 8 | 284 | 292 | # Not Completed | 2 | 15 | 17 | 1 | 12 | 13 | Total # | 9 | 296 | 305 | 9 | 296 | 305 | % Completed | 78% | 95% | 94% | 89% | 96% | 96% | % Not Completed | 22% | 5% | 6% | 11% | 4% | 4% | Total % | 100% | 100% | 100% | 100% | 100% | 100% | Implemented |
| Training Status | Ethics Training | | | Procurement Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Officers | Employees | Total | Officers | Employees | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| # Completed | 7 | 281 | 288 | 8 | 284 | 292 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| # Not Completed | 2 | 15 | 17 | 1 | 12 | 13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total # | 9 | 296 | 305 | 9 | 296 | 305 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Completed | 78% | 95% | 94% | 89% | 96% | 96% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Not Completed | 22% | 5% | 6% | 11% | 4% | 4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total % | 100% | 100% | 100% | 100% | 100% | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2021**

| Report # | Audit Date | Report Name | High-Level Audit Objective(s) and Opinion | Observations and Recommendations | Current Status |
|----------|------------------|--|---|----------------------------------|----------------|
| 21-XIII | Fiscal Year 2020 | Benefits Proportional by Method of Finance Audit | <p>The audit objectives were to gain assurance for the following: the University complied with the applicable benefit proportional requirements prescribed by Section 6.08, the General Appropriations Act (87th Legislature), and the Comptroller of Public Accounts regulations; and the University implemented the previous benefits proportional by fund audit management action plan.</p> <p>We gained assurance that the University was generally in compliance with the applicable benefit proportional requirements prescribed by Section 6.08. the General Appropriations Act (87th Legislature) and the Comptroller of Public Accounts regulations. The management action plans from the previous audit were not implemented.</p> | None | N/A |

SFASU DEPARTMENT OF AUDIT SERVICES NON-AUDIT AND CONSULTING SERVICES

| Activity | Impact |
|---|--|
| Advisor to Departments | Provided guidance to strengthen department controls |
| BOR Policy Review | Reviewed new or updated policies for each BOR meeting |
| Cash Counts | Performed surprise cash counts |
| Charter School Financial Audit | Coordinated and assisted with external audit |
| Continuous Auditing Activities | Developed Continuous Auditing 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 planning for audit |
| University Anti-Fraud Program | 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 and collaborated with ITS Security Office for an IT survey |
| NCAA Agreed Upon Procedures Review | Coordinated and assisted with external review |
| SACS Financial Statement Review | Coordinated and assisted with external review |
| State Auditor's Office and Other Agencies Audits and Projects | Coordinated and assisted to aid in efficiency and provide expertise |
| University Committees | Served as an advisory member to provide information and expertise |

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

| Activity | Impact |
|----------------------------|-------------------------------------|
| University Risk Assessment | Co-facilitated risk assessment |
| Special Projects | Performed numerous special projects |

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**



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 |
|--|--------------------|
| <i>IIA Attribute Standards</i> | |
| 1000 – Purpose, Authority, and Responsibility | Generally Conforms |
| 1100 – Independence and Objectivity | Generally Conforms |
| 1200 – Proficiency and Due Professional Care | Generally Conforms |
| 1300 – Quality Assurance and Improvement Program | Generally Conforms |
| <i>IIA Performance Standards</i> | |
| 2000 – Managing the Internal Audit Activity | Generally Conforms |
| 2100 – Nature of Work | Generally Conforms |
| 2200 – Engagement Planning | Generally Conforms |
| 2300 – Performing the Engagement | Generally Conforms |
| 2400 – Communicating Results | Generally Conforms |
| 2500 – Monitoring Progress | Generally Conforms |
| 2600 – Communicating the Acceptance of Risk | Generally Conforms |
| <i>IIA Code of Ethics</i> | Generally Conforms |
| <i>Generally Accepted Government Auditing Standards</i> | Generally Conforms |
| <i>Texas Internal Auditing Act</i> | Generally Conforms |

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Carter".

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.

Quality Assurance

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.
- Hold regular staff meetings to discuss issues and audits.
- Use of an audit standards compliance questionnaire at the end of each audit.
- Completion of annual independence disclosures.
- Participation on Quality Assurance review teams when possible.
- Development and use of audit templates for consistency.
- Use of an audit ratings system beginning in Fiscal Year 2021 as shown on the last page of this section as Appendix 1.

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 Fiscal Year 2021, overall for the two Follow-Up Audits and Follow-Up included in other audits, 58% of management action plans were implemented.***

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

- % of responses to annual risk assessment survey. ***For Fiscal Year 2021 risk assessment survey, 121 out of 121 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 Fiscal Year 2021, Audit Services issued 13 audit reports and worked on numerous internal and special projects.***
- Maintaining certifications. ***All audit staff are certified. Audit Services currently has four Certified Public Accountants and one Certified Fraud Examiner.***

2021 Goals

The CAE set the following department goals for Fiscal Year 2021 to aid in compliance with standards and efficiency:

1. Adjust to a new structure due to the retirement of Assistant Director. ***The CAE established a new structure effective September 1, 2020 and aligned 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 for Fiscal Year 2021 included hours for additional follow-up procedures. Audit Services performed two follow-up audits during the year (Audits 21-I and 21-VI).***
3. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The Audit Plan for Fiscal Year 2021 included additional hours in this area. Audit Services worked to formalize the P-Card Continuous Auditing procedures and reporting.***
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 provided opportunities for team members where needed and utilized the expertise of Myers & Stauffer and the University's Chief Information Security Officer.***

SFASU DEPARTMENT OF AUDIT SERVICES

INTERNAL QUALITY ASSESSMENT

2022 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 2022:

1. 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 Fiscal Year 2022 includes hours for additional follow-up procedures.***
2. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The Audit Plan proposed for Fiscal Year 2022 includes additional hours in this area. After P-Cards, Audit Services plans to add Tuition as a second area.***
3. 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.***
4. Develop a plan for Construction Audit Services using external resources. ***The CAE will develop a plan for Construction Audits.***
5. Develop relationships with new members of the Administration. ***The BOR retreat in June 2021 was helpful for this purpose, and the CAE will work to foster professional relationships.***
6. Develop a plan for implementation of other features in the new version of the audit software. ***The Audit Plan includes hours for implementing features in the new version of audit software. The Assistant CAE will receive continuing education on the audit software.***

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

| SFASU Audit Services Observation Ratings | |
|--|---|
| Rating | Description |
| Low | The audit observation does not present significant risks or issues that could negatively impact the University in the area/program/function audited. Action is needed to address the audit observation. |
| Medium | The audit observation presents risks or issues that if not addressed could moderately impact the University in the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level. |
| High | The audit observation presents risks or issues that if not addressed could substantially impact the University in the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level. |
| Priority | The audit observation presents risks or issues that if not addressed could critically impact the University in the area/program/function audited. Immediate action is needed to address the audit observation and reduce risks to a more desirable level. |

SFASU DEPARTMENT OF AUDIT SERVICES FIVE YEAR AUDIT PLAN

For fiscal year 2022, allocable time after consideration of leave time is 7,980 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.

| Audit Projects | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|
| Audit Assistance to Oversight Agencies | X | X | X | X | X |
| Public Funds Investment Act (biennial) | | X | | X | |
| Texas Administrative Code 202 (biennial) | | X | | X | |
| Charter School (annual) | X | X | X | X | X |
| National Collegiate Athletic Association (annual) | X | X | X | X | X |
| Follow-Up | X | X | X | X | X |
| Contract Management and Procurement (annual) | X | X | X | X | X |
| Benefits Proportionality by Method of Finance | X | | | | |
| Safety and Security Audit (triennial) | X | | | X | |
| Southern Association of Colleges and Schools (every ten years) | | | | | |
| Facilities Audit (every five years) | | | X | | |
| Departmental Audits | X | X | X | X | X |
| Risk Based and Other Audits | X | X | X | X | X |
| Quality Assurance Review | X | | | X | |
| Texas Workforce Commission Review (every six years) | X | | | | |

Details are included in the fiscal year 2022 Audit Plan. Any changes to the 2022 Audit Plan will be made in accordance with the Audit Charter.

STEPHEN F. AUSTIN STATE UNIVERSITY
REVISED FISCAL YEAR 2022 AUDIT PLAN AS OF 09/12/21

| PROJECT | HIGH LEVEL DESCRIPTION | HOURS |
|--|--|--------------|
| Audits | | |
| Annual Audit Plan and Report | Prepare annual audit plan and report | 40 |
| Benefits Proportional by Method of Finance Audit | Review compliance required by regulations | 140 |
| Compliance Audits | Review compliance required by regulations | 450 |
| Construction Audit | Review controls and compliance required by regulations | 250 |
| Contract Management and Procurement Audit | Review compliance required by TEC 51.9337 | 200 |
| Departmental and/or Operational Audits | Review controls and compliance required by regulations | 700 |
| Endowment Audit | Review controls and compliance required by regulations | 400 |
| External Audit Assistance | Provide assistance for state, federal, and other audits | 200 |
| Budget Audit | Review controls, systems and processes | 250 |
| Facilities Audit | Review compliance required by regulations | 60 |
| Grant Audit | Review compliance required by regulations | 400 |
| Safety and Security Audit | Review compliance required by TEC 51.217 | 350 |
| Information Technology Audits and Projects | Perform TAC 202 audits and other audits and projects | 450 |
| Follow-Up Audits and Projects | Perform follow-up audits and projects | 500 |
| Other Activities | | |
| Continuous Auditing | Perform regular auditing procedures | 550 |
| Fraud & Ethics Program Projects and Investigations | Facilitate university anonymous reporting system; Perform investigations and projects | 350 |
| Special Projects | Perform special projects | 300 |
| Committees, Meetings, and Events | Serve as advisory member of committees; prepare and attend meetings and events | 400 |
| Department Activities | | |
| Annual Risk Assessment | Facilitate annual university risk assessment | 100 |
| Quality Assurance | Perform internal quality procedures and assessments, participate on assessment teams, and records management | 250 |
| Software Maintenance and Training | Audit software | 80 |
| Professional Development and Travel | Professional development, training, and travel | 280 |
| Staff Meetings | Regular staff meetings | 400 |
| General and Administrative | Administration (planning, purchasing, payroll, scheduling, reporting, etc.) | 530 |
| General and Administrative GA | Graduate Assistant help with administrative work | 350 |
| Total Allocated Hours | | 7,980 |

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 President's Cabinet also discusses risks on an ongoing basis.

Audit Services, in conjunction with the Vice President of Finance and Administration (VPFA), facilitates an annual University-wide risk assessment. A survey of risks is developed with University input. One hundred twenty-one members of the University community including administrators, deans, department chairs, and directors were asked to participate in the survey for Fiscal Year 2021-2022. The survey required each respondent to assess the impact along with the probability of the risk occurring for twenty-seven 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 2021-22 survey had a 100% response rate. The survey was used by Audit Services in the development of the Fiscal Year 2022 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 BOR first approved the Fiscal Year 2022 Audit Plan on July 27, 2021. The BOR then approved the revised Audit Plan as shown in Tab VIII on September 12, 2021. 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 Fiscal Year 2022 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; funds that are under the control of other entities or agencies; and University climate.

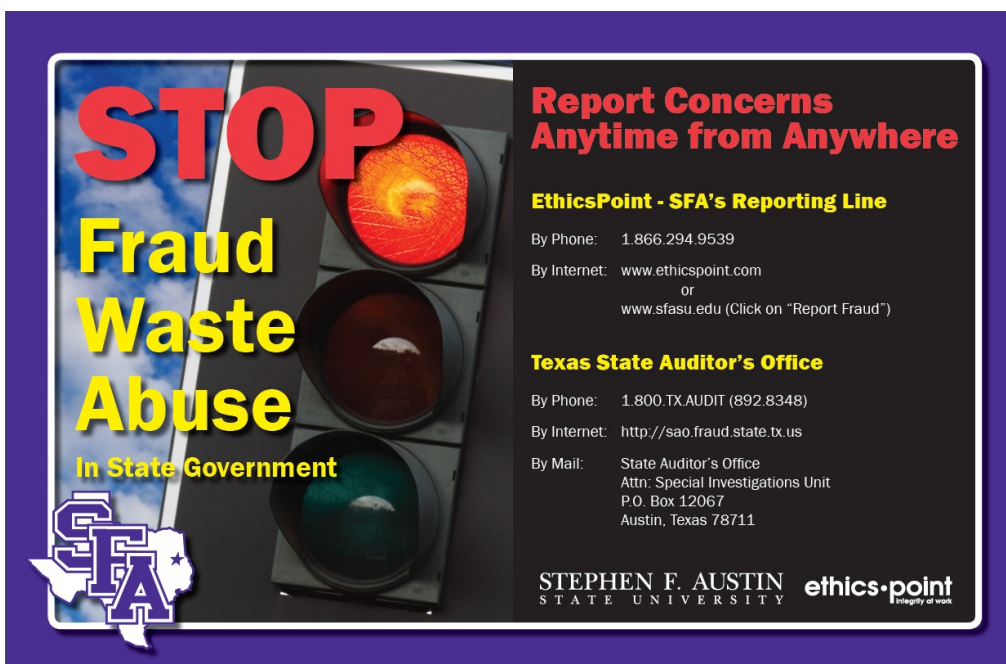
**SFASU DEPARTMENT OF AUDIT SERVICES
EXTERNAL AUDIT SERVICES**

| AUDITOR | PURPOSE |
|----------------------------|--|
| Goff & Herrington, P.C. | Perform agreed-upon procedures engagement as required by the National Collegiate Athletic Association as of August 31, 2020. |
| Goff & Herrington, P.C | Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2020. |
| 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, 2020 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 and General Counsel lead investigations based on reports.
- 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

SFASU DEPARTMENT OF AUDIT SERVICES

INTERNAL AUDIT ACTIVITY CHARTER

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

ORGANIZATION

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

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

INDEPENDENCE AND OBJECTIVITY

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

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

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

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

RESPONSIBILITY

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

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

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

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

INTERNAL AUDIT PLAN

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

REPORTING AND MONITORING

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

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

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

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

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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

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

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

RELEVANT STATUTES AND POLICIES

- Texas Internal Auditing Act, Government Code Chapter 2102
- SFASU Board of Regents Rules and Regulations
- SFASU Policy 2.7, *Fraud*
- SFASU Policy 2.12, *Compliance*
- SFASU Policy 2.6, *Ethics*

APPROVAL

The Internal Audit Activity Charter was submitted by the Chief Audit Executive for review and approval by the Finance and Audit Committee and Board of Regents on November 1, 2021.