

Stephen F. Austin State University

Annual Audit Report

As of August 31, 2022

Audit Report 22-XI



Department of Audit Services

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**SFASU DEPARTMENT OF AUDIT SERVICES
FISCAL YEAR 2022 ANNUAL AUDIT REPORT
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I.
Executive Summary

SFASU DEPARTMENT OF AUDIT SERVICES EXECUTIVE SUMMARY

The purpose of this annual audit report is to provide information on the activities and the effectiveness of the internal audit function. In addition, the annual audit report assists oversight agencies in 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.

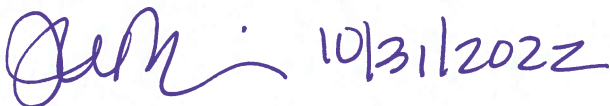
Fiscal Year 2022 brought challenges for Audit Services. Audit Services operated with a staff of 2 during the last four months of the fiscal year as two team members (Chief Audit Executive and Auditor) transitioned to other roles at the University. In addition, the .5 graduate assistant was not available for eight months of the year.

An increased focus on the University's budget and financial condition by the University community warranted significant audit resources, therefore, the audit plan was adjusted to perform both a budget and system affiliation special projects. Audit Services continued to make progress in gaining expertise in information technology risks and controls. We collaborated with ITS on assessing risk and the current state of the IT environment as it relates to the Texas Cybersecurity Framework security controls. We will continue this collaboration in Fiscal Year 2023.

Audit Services plans to fill the vacant positions and operate with a staff of 4.5 for Fiscal Year 2023. The BOR approved the Fiscal Year 2023 Audit Plan on July 26, 2022.

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,



Jane Ann Bridges, CPA, CIA
Chief Audit Executive

II.

Compliance with Government Code §2102.015

SFASU DEPARTMENT OF AUDIT SERVICES COMPLIANCE WITH TGC §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 2022 Audit Annual Report, which includes the required items, on its website at <http://www.sfasu.edu/audit/> after approval by the SFASU Board of Regents. The List of Audit Objectives and Recommendations is included in Tab IV of this report.

Texas Government Code 2102.015

Publication of Audit Plan and Annual Report on Internet

(a) Notwithstanding Section 2102.003, in this section, "state agency" means a board, commission, department, institute, office, or other agency in the executive branch of state government that is created by the constitution or a statute of this state, including an institution of higher education as defined by Section 61.003, Education Code.

(b) Subject to Subsection (c), at the time and in the manner provided by the state auditor, a state agency shall post on the agency's Internet website:

(1) the agency's internal audit plan approved as provided by Section 2102.008; and

(2) the agency's annual report required under Section 2102.009.

(c) A state agency is not required to post information contained in the agency's internal audit plan or annual report if the information is excepted from public disclosure under Chapter 552.

(d) A state agency shall update the posting required under this section at the time and in the manner provided by the state auditor to include a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.

(e) A state agency shall update the posting required under this section to include a summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report.

III.

FY 2022 Audit Plan Summary

SFASU DEPARTMENT OF AUDIT SERVICES SUMMARY OF AUDITS FOR FISCAL YEAR 2022

The following table details Audit Services progress on the fiscal year 2022 Audit Plan:

#	Audit Name	Status at 08/31/22
21-VIII	Public Funds Investment Act	Completed
21-X	University Construction Management Close-Out Audit	Completed
21-XIV	Tuition Set-Asides Audit	Completed
21-XV	Early Childhood Laboratory Audit	Completed
21-XVI	University Procurement Card Audit	Completed
22-I	Follow-Up Audit	Completed
22-II	Benefits Proportional by Method of Finance Audit	Completed
22-III	Conflict of Interest Audit	Completed
22-IV	Endowments Audit	In Progress
22-V	Safety and Security Audit	Completed
22-VI	Information Technology Follow-Up Audit	Completed
22-VII	Follow-Up of External Information Technology Audits	Completed
22-VIII	Contract Management and Procurement Audit	Completed
22-IX	Construction Management Close-Out Audit - BPF	In Progress
22-X	Higher Education Emergency Relief Funds Audit	In Progress

Audit Services had the following deviations from the fiscal year 2022 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 2022. The agreed upon procedures will be performed by an external audit firm when liquidated in fiscal year 2023. The project is included on the fiscal year 2023 Audit Plan under External Audit Assistance.

SFASU DEPARTMENT OF AUDIT SERVICES SUMMARY OF AUDITS FOR FISCAL YEAR 2022

The following audit reports from fiscal year 2022 addressed specific higher education requirements:

#	Report Name	Higher Education Requirement
22-VI	Information Technology Follow-Up Audit	TAC 202.76 requirement to review the information security program at least biennially.
22-VII	Follow-Up Audit of External Information Technology Audits	TAC 202.76 requirement to review the information security program at least biennially.
22-VIII	Contract Management and Procurement Audit	TEC 51.9337(h) 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.
22-II	Benefits Proportional by Method of Finance Audit	Benefits Proportionality Audit requirement to examine fiscal year 2021 as prescribed in Rider 8, page III-50, the General Appropriations Act (87 th Legislature).

The list in Tab IV details high-level audit objectives and recommendations. The current status is as of July 26, 2022.

IV.

FY 2022 List of Audit Objectives and Recommendations

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
Report # and Name:	21-VIII Public Funds Investment Act
Audit Date:	May 31, 2021
Audit Objective(s):	The audit objectives were to gain assurance for the following: the University was in compliance with the PFIA; and the University was in compliance with GAA, 86th Legislature, Article III, Section 6, Rider 5, Investment Reports and related reporting requirements as prescribed by the State Auditor's Office.
Audit Opinion:	<p>We gained assurance that the University was generally in compliance with the Public Funds Investment Act; and the GAA, 86th Legislature, Article III, Section 6, Rider 5, Investment Reports and related reporting requirements prescribed by the SAO as of May 31, 2021.</p> <p>Per the SAO reporting requirements, Audit Services is required to disclose in the audit report "a detailed description of all instances of noncompliance that were identified as a result of the compliance audit procedures performed, regardless of the assessed materiality of any such noncompliance, and, if available, all responses to any audit findings that agency management provided to its auditor." The audit identified no instances of noncompliance.</p>
Observation^:	None
Recommendation:	None
Status*:	Not applicable
Report # and Name:	21-X University Construction Management Close-Out Audit
Audit Date:	February 2, 2021
Audit Objective(s):	<p>The audit objectives were to gain assurance that controls and processes for Construction Management, specifically for construction close-out, exist and are operating as intended, including:</p> <ul style="list-style-type: none"> • Close-out report is accurate, timely, and sufficient; • Project payments are made in accordance with contract provisions; • Select terms and conditions of contracts are appropriately fulfilled; • Close-out procedures are formally documented; and • Construction records are retained in accordance with record retention requirements.

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
Audit Opinion:	<p>We gained assurance that controls and processes for Construction Management Close-Out generally existed and were operating as intended. We found that the close-out report was accurate, timely, and sufficient; select terms and conditions of contracts were appropriately fulfilled; and construction records were retained in accordance with record retention requirements.</p> <p>For the audit objective to gain assurance that project payments were made in accordance with contract provisions, Townsend concluded that the costs plus fee billed were in general conformance with the terms of the contract agreement understandings of both parties.</p>
Observation^:	<p>While reviewing the department's close-out procedures, we noted that the documented procedures were very brief. Procedures for receiving various contractor lists, releases, certifications, warranties, reports, and information were not included.</p> <p>Observation Rating: Medium</p>
Recommendation:	The Physical Plant Department should strengthen the documentation of the close-out procedures.
Status*:	Ongoing
Report # and Name:	21-XIV Tuition Set Asides Audit
Audit Date:	August 31, 2019 and August 31, 2020
Audit Objective(s):	The audit objective was to gain assurance that the University complies with the applicable tuition set-aside requirements.
Audit Opinion:	Based on our audit procedures, we gained assurance that the University was generally in compliance with the applicable tuition set-aside requirements
Observation^:	<p>We reviewed Board of Regents (BOR) minutes and policies and did not find authorization of guidelines required by TEC §56.034.</p> <p>Observation Rating: Medium</p>
Recommendation:	The University should submit guidelines or policy for approval by the BOR.
Status*:	Ongoing
Observation^:	We noted a TPEG restricted net position/fund balance account totaling \$2.8 million. The \$2.8 million was recorded in 2009 with the system conversion from Plus to Banner. Supporting documentation for the account was not readily available. In addition, this carry-forward balance was not reflected for TPEG on

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* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
	the FY20 State Campus-Based Programs Annual Report submitted to the Texas Higher Education Coordinating Board by the Office of Financial Aid and Scholarships.
	Observation Rating: High
Recommendation:	The Controller's Office should review the set-aside net position/fund balance and make any adjustments necessary. The Office of Financial Aid and Scholarships should coordinate reporting with the Controller's Office.
Status*:	Ongoing
Observation^:	During our audit procedures, we were unable to verify that the required report of designated tuition had been prepared and submitted.
	Observation Rating: High
Recommendation:	The University should submit the required designated tuition report and formally document procedures to ensure the timely and accurate submission of the report.
Status*:	Ongoing
Report # and Name:	21-XV Early Childhood Laboratory Audit
Audit Date:	June 30, 2021
Audit Objective(s):	The audit objective was to gain assurance that ECHL policies, procedures, and practices were in compliance with University regulations including cash, payments, property, affiliated organizations, time keeping and leave reporting, program enrollment, information technology security, and other identified areas.
Audit Opinion:	We found that the ECHL has controls in place to generally conform with requirements in areas tested related to our audit objective.
Observation^:	During our audit procedures, we noted information technology (IT) security access controls were not in compliance with University standards.
	Observation Rating: High
Recommendation:	The ECHL should formally document and implement stronger IT security access controls.
Status*:	Ongoing
Observation^:	During our audit procedures, we found the following:

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
	<ul style="list-style-type: none"> • Calculations and payments of tuition and fees were not consistent with established procedures. • Accounts receivable procedures were not fully documented. • Accounts receivable ledgers were not up to date. <p>Observation Rating: Medium</p>
Recommendation:	The ECHL should strengthen procedures for accounts receivable.
Status*:	Ongoing
Observation^:	During our review, we noted field trip and book fair receipts did not follow University policy, and procedures were not fully documented.
	Observation Rating: Medium
Recommendation:	The ECHL should strengthen procedures for receipts.
Status*:	Ongoing
Observation^:	During our audit procedures, we noted the ECHL did not follow its documented policy for applications.
	Observation Rating: Low
Recommendation:	The ECHL should clarify admission policies and communicate to employees and parents.
Status*:	Ongoing
Report # and Name:	21-XVI University Procurement Card Audit
Audit Date:	Fiscal Years 2020 and 2021
Audit Objective(s):	The audit objectives were to gain assurance for the following: University P-Card transactions were accurate; University P-Card transactions were appropriately authorized and approved; University P-Card transactions were adequately supported by documentation; University P-Card transactions were in compliance with regulations; and opportunities for fraud related to P-Card transactions were minimized.
Audit Opinion:	We gained assurance that University procurement card transactions were accurate; appropriately authorized and approved; adequately supported by

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* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
Observation^:	<p>documentation; in compliance with regulations; and opportunities for fraud were minimized.</p> <p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • The University began using Concur for its P-Card system with the May 2021 billing cycle. P-Card records from May 2021 to current are located in the Concur System, while prior records are in Perceptive Content. An instruction manual for the use of Concur was available, however, an updated P-Card Program Guide had not been published for the implementation of the Concur system. • Institutions of higher education are required to verify a vendor's State of Texas hold status for procurement card purchases over \$500 prior to making the purchase. The P-Card Program Guide includes this requirement. However, the procedures do not instruct cardholders to retain documentation that the search was completed and when it was completed. Therefore, we were unable to assess compliance with the requirement. • The P-Card Program Guide requires the use of a P-Card Resolution Form for all returns and credits. However, we did not find the form being used for returns or credits on a consistent basis. • Procurement card information resides in Banner on the Purchase Card Query form, FAICARD. This includes the cardholder's single transaction and monthly credit limits. Changes to card credit limits after the initial issuance of a procurement card are not maintained in Banner but are updated only on the Citibank website. Therefore, card information reflected in Banner is not current and reliance on information would be misleading. <p>Observation Rating: Medium</p>
Recommendation:	The University should strengthen procedures for procurement cards to better align with current practices and ensure compliance with state requirements.
Status*:	Ongoing
Observation^:	<p>We reviewed credit card statements and related transaction expense reports against the established procedures. A credit card statement sample is equivalent to a monthly billing cycle for a single card. During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • For fiscal year 2020, 30 of 69 (43%) credit card statement samples were reviewed with 1 or more exceptions. The samples included 1,098 credit card charges.

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
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Element	Audit Details																																							
	<ul style="list-style-type: none">For fiscal year 2021, 30 of 69 (43%) credit card statement samples were reviewed with 1 or more exceptions. The samples included 788 credit card charges. <p>Credit card statement sample exceptions by fiscal year were as follows. Some samples had more than 1 exception.</p> <table><tr><th>Exception</th><th>FY20</th><th>FY21</th></tr><tr><td>Expense report not completed or approved timely</td><td>4 of 69 (6%)</td><td>2 of 69 (3%)</td></tr><tr><td>Expense report did not conform with procedures*</td><td>29 of 69 (42%)</td><td>26 of 69 (38%)</td></tr><tr><td>1 or more charges exceeded single transaction limit</td><td>4 of 69 (6%)</td><td>2 of 69 (3%)</td></tr><tr><td>Statement charges exceeded monthly credit limit</td><td>1 of 69 (1%)</td><td>1 of 69 (1%)</td></tr></table> <p>*See details in the table below.</p> <p>Additional details for the Expense report did not conform with procedures exceptions are below.</p> <table><tr><th>Expense Report did not conform with procedures</th><th>FY20</th><th>FY21</th></tr><tr><td>Credit card samples with the exception</td><td>29 of 69</td><td>26 of 69</td></tr><tr><td>Documentation missing for charge</td><td>28 of 1,098 (2.6%)</td><td>17 of 788 (2.2%)</td></tr><tr><td>Documentation insufficient for charge</td><td>33 of 1,098 (3.0%)</td><td>43 of 788 (5.5%)</td></tr><tr><td>Food purchase missing 1 or more 5Ws</td><td>66 of 1,098 (6.0%)</td><td>52 of 788 (6.6%)</td></tr><tr><td>Sales tax charged; no evidence of credit</td><td>17 of 1,098 (1.5%)</td><td>5 of 788 (.6%)</td></tr><tr><td>Potential unallowable purchase</td><td>8 of 1,098 (.7%)</td><td>7 of 788 (.9%)</td></tr><tr><td>Total credit card charges with this exception</td><td>152 of 1,098 (13.8%)</td><td>124 of 788 (15.8%)</td></tr></table> <p>Observation Rating: Medium</p> <p>Recommendation: The University should strengthen procedures for procurement cards to ensure transactions are appropriate and adequately supported.</p> <p>Status*: Ongoing</p>	Exception	FY20	FY21	Expense report not completed or approved timely	4 of 69 (6%)	2 of 69 (3%)	Expense report did not conform with procedures*	29 of 69 (42%)	26 of 69 (38%)	1 or more charges exceeded single transaction limit	4 of 69 (6%)	2 of 69 (3%)	Statement charges exceeded monthly credit limit	1 of 69 (1%)	1 of 69 (1%)	Expense Report did not conform with procedures	FY20	FY21	Credit card samples with the exception	29 of 69	26 of 69	Documentation missing for charge	28 of 1,098 (2.6%)	17 of 788 (2.2%)	Documentation insufficient for charge	33 of 1,098 (3.0%)	43 of 788 (5.5%)	Food purchase missing 1 or more 5Ws	66 of 1,098 (6.0%)	52 of 788 (6.6%)	Sales tax charged; no evidence of credit	17 of 1,098 (1.5%)	5 of 788 (.6%)	Potential unallowable purchase	8 of 1,098 (.7%)	7 of 788 (.9%)	Total credit card charges with this exception	152 of 1,098 (13.8%)	124 of 788 (15.8%)
Exception	FY20	FY21																																						
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Total credit card charges with this exception	152 of 1,098 (13.8%)	124 of 788 (15.8%)																																						
Report # and Name:	22-I Follow-up Audit																																							
Audit Date:	August 31, 2021																																							
Audit Objective(s):	The audit objective was to gain assurance that management action plans have been implemented in an appropriate manner.																																							
Audit Opinion:	Based on our audit procedures, we found the status as of August 31, 2021 for the thirty-three (33) management action plans as follows:																																							

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details																		
	<table><tr><th>Status as of August 31, 2021</th><th>Actions Plans</th><th>%</th></tr><tr><td>Implemented</td><td>18</td><td>55%</td></tr><tr><td>In process but with a revised target implementation date</td><td>10</td><td>30%</td></tr><tr><td>Verified</td><td>4</td><td>12%</td></tr><tr><td>Closed</td><td>1</td><td>3%</td></tr><tr><td>Total Management Action Plans</td><td>33</td><td>100%</td></tr></table> <p>Though significant progress has been made toward implementing the management action plans as evidenced by the 70% that are either Closed, Implemented or Verified, additional action is needed for some plans to ensure implementation. Overall the University has generally implemented management action plans in an appropriate manner as of August 31, 2021.</p> <p>The ten (10) In process but with a revised target implementation date will remain on Audit Services Follow-Up List.</p> <p>Observation^: None</p> <p>Recommendation: None</p> <p>Status*: Not applicable</p>	Status as of August 31, 2021	Actions Plans	%	Implemented	18	55%	In process but with a revised target implementation date	10	30%	Verified	4	12%	Closed	1	3%	Total Management Action Plans	33	100%
Status as of August 31, 2021	Actions Plans	%																	
Implemented	18	55%																	
In process but with a revised target implementation date	10	30%																	
Verified	4	12%																	
Closed	1	3%																	
Total Management Action Plans	33	100%																	
Report # and Name:	22-II Benefits Proportional by Method of Finance Audit																		
Audit Date:	Fiscal Year 2021																		
Audit Objective(s):	The audit objectives were to gain assurance that the University complies with the applicable benefit proportional requirements prescribed by GAA (87th Legislature) Article IX, <i>General Provisions</i> , Section 6.08, <i>Benefits Paid Proportional by Method of Finance</i> , and the Comptroller of Public Accounts regulations, and the University has implemented the previous benefits proportional audit management action plan.																		
Audit Opinion:	<p>We gained assurance that the University was generally in compliance with the applicable benefit proportional requirements prescribed by GAA (87th Legislature) Article IX, <i>General Provisions</i>, Section 6.08, <i>Benefits Paid Proportional by Method of Finance</i>, and the Comptroller of Public Accounts regulations.</p> <p>For the previous audit management action plan, Audit Services found the following:</p>																		

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SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details																		
	<table><tr><th>Audit Report/Date</th><th>Audit Observation</th><th>Management Action Plan</th><th>Status</th></tr><tr><td>17-III Benefits Proportional by Fund Audit For Fiscal Year 2015</td><td><p>Documented Policies and Procedures</p><p>Recommendation: Human Resources and the Controller's Office should establish and formally document a periodic reconciliation process to help ensure timely analysis and resolution of differences in source documents and amounts recorded in the general ledger. Human Resources should strengthen and formally document procedures that include supervisory review and analysis of benefits reports.</p></td><td><p>The Controller's Office implemented a reconciliation process during 2015. Human Resources and the Controller's Office will continue to strengthen the interdepartmental process through automation and the development of procedures that include supervisory review and analysis.</p><p>Original implementation date was October 31, 2017.</p><p>Update 02/01/2022: The Division of Finance and Administration will formalize the reconciliation procedures.</p><p>New target implementation date is May 31, 2022.</p></td><td>In process but with a revised target implementation date.</td></tr></table>	Audit Report/Date	Audit Observation	Management Action Plan	Status	17-III Benefits Proportional by Fund Audit For Fiscal Year 2015	<p>Documented Policies and Procedures</p> <p>Recommendation: Human Resources and the Controller's Office should establish and formally document a periodic reconciliation process to help ensure timely analysis and resolution of differences in source documents and amounts recorded in the general ledger. Human Resources should strengthen and formally document procedures that include supervisory review and analysis of benefits reports.</p>	<p>The Controller's Office implemented a reconciliation process during 2015. Human Resources and the Controller's Office will continue to strengthen the interdepartmental process through automation and the development of procedures that include supervisory review and analysis.</p> <p>Original implementation date was October 31, 2017.</p> <p>Update 02/01/2022: The Division of Finance and Administration will formalize the reconciliation procedures.</p> <p>New target implementation date is May 31, 2022.</p>	In process but with a revised target implementation date.										
	Audit Report/Date	Audit Observation	Management Action Plan	Status															
	17-III Benefits Proportional by Fund Audit For Fiscal Year 2015	<p>Documented Policies and Procedures</p> <p>Recommendation: Human Resources and the Controller's Office should establish and formally document a periodic reconciliation process to help ensure timely analysis and resolution of differences in source documents and amounts recorded in the general ledger. Human Resources should strengthen and formally document procedures that include supervisory review and analysis of benefits reports.</p>	<p>The Controller's Office implemented a reconciliation process during 2015. Human Resources and the Controller's Office will continue to strengthen the interdepartmental process through automation and the development of procedures that include supervisory review and analysis.</p> <p>Original implementation date was October 31, 2017.</p> <p>Update 02/01/2022: The Division of Finance and Administration will formalize the reconciliation procedures.</p> <p>New target implementation date is May 31, 2022.</p>	In process but with a revised target implementation date.															
	Observation^:	None																	
	Recommendation:	None																	
Status*:	Not applicable																		
Report # and Name:	22-III Conflicts of Interest Audit																		
Audit Date:	September 30, 2021																		
Audit Objective(s):	The audit objectives were to gain assurance that University conflicts of interest were disclosed and managed; and opportunities for fraud due to undisclosed conflicts of interest were minimized.																		
Audit Opinion:	We gained assurance that University conflicts of interest were generally disclosed and managed, and opportunities for fraud due to undisclosed conflicts of interest were minimized.																		
Observation^:	We reviewed the conflicts of interest survey program language compared to requirements in policy 11.19, <i>Outside Employment</i> , and noted that the survey program language used to deploy the conflicts of interest survey does not directly align as shown below:																		
	<table><tr><th>Outside Employment Policy and Process</th><th>Full-Time Employees</th><th>Part-Time Employees</th><th>Student Employees</th></tr><tr><td>University Policy 11.19</td><td>Required</td><td>Required</td><td>Not Required</td></tr><tr><td>Survey Program Language</td><td>Presented</td><td>Not Presented</td><td>Not Presented</td></tr><tr><td>Policy and Process</td><td>Aligned</td><td>Not Aligned</td><td>Aligned</td></tr></table>	Outside Employment Policy and Process	Full-Time Employees	Part-Time Employees	Student Employees	University Policy 11.19	Required	Required	Not Required	Survey Program Language	Presented	Not Presented	Not Presented	Policy and Process	Aligned	Not Aligned	Aligned		
Outside Employment Policy and Process	Full-Time Employees	Part-Time Employees	Student Employees																
University Policy 11.19	Required	Required	Not Required																
Survey Program Language	Presented	Not Presented	Not Presented																
Policy and Process	Aligned	Not Aligned	Aligned																

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details															
Recommendation:	<p>The survey program language is not written to present to part-time employees who are required by policy 11.19, <i>Outside Employment</i>, to complete the disclosure. As a result, most part-time employees have not completed the conflicts of interest survey.</p> <p>Observation Rating: Medium</p> <p>The University should review the disclosure requirements for part-time employees and align the survey program language and policy 11.19, <i>Outside Employment</i>.</p>															
Status*:	Ongoing															
Observation^:	<p>The conflicts of interest survey process to capture disclosures exists but the monitoring needs to be strengthened. The annual disclosures are due September 30. We reviewed disclosures as of 11/01/21 and 03/15/22. The survey completion rates improved during the audit, but the disclosures should be completed by the due date. See comparison of completion rates below:</p> <table><tr><th>Conflicts Of Interest Survey</th><th>11/01/21 Completion Rate</th><th>03/15/22 Completion Rate</th></tr><tr><td>Nepotism</td><td>75%</td><td>91%</td></tr><tr><td>Outside Employment *</td><td>87%</td><td>98%</td></tr><tr><td>Vendor Relations</td><td>74%</td><td>91%</td></tr><tr><td>Overall</td><td>79%</td><td>93%</td></tr></table> <p>In addition, the University has a process to review disclosures during the performance evaluation process. Audit Services selected 15 employees who had not completed disclosures and reviewed the February 1, 2022 performance evaluation. All of the performance evaluations reflected yes that the disclosures were completed, but verification showed they were not completed.</p> <p>Observation Rating: Medium</p>	Conflicts Of Interest Survey	11/01/21 Completion Rate	03/15/22 Completion Rate	Nepotism	75%	91%	Outside Employment *	87%	98%	Vendor Relations	74%	91%	Overall	79%	93%
Conflicts Of Interest Survey	11/01/21 Completion Rate	03/15/22 Completion Rate														
Nepotism	75%	91%														
Outside Employment *	87%	98%														
Vendor Relations	74%	91%														
Overall	79%	93%														
Recommendation:	<p>The University should strengthen procedures to ensure employee disclosures are completed timely.</p>															
Status*:	Ongoing															
Report # and Name:	22-V Safety and Security Audit															
Audit Date:	December 31, 2021															
Audit Objectives:	<p>The audit objectives were to gain assurance for the following:</p> <ul style="list-style-type: none">University's safety and security program is in compliance with TEC §51.217.															

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details												
Audit Opinion:	<ul style="list-style-type: none">• Previous safety and security audit management action plans have been implemented in an appropriate manner. <p>The Safety and Security Self-Assessment Report prepared by UPD concluded that the University's safety and security program is in substantial compliance with regulations. Due to the status of the previous audit management action plans, Audit Services did not perform additional testing at this time.</p> <p>For the previous audit management action plans, UPD represented the following (see Appendix 1 for follow-up audit terminology):</p> <table><tr><th>Audit Report/Date</th><th>Audit Observation</th><th>Management Action Plan</th><th>Status</th></tr><tr><td>19-VIII Safety and Security As of December 31, 2018</td><td>Mitigation Recommendation: The University should strengthen policies and procedures for Mitigation.</td><td>The University will strengthen policies and procedures for Mitigation. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022</td><td>In process but with a revised target implementation date</td></tr><tr><td>19-VIII Safety and Security As of December 31, 2018</td><td>Preparedness Recommendation: The University should strengthen policies and procedures for Preparedness.</td><td>The University will strengthen policies and procedures for preparedness. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022</td><td>In process but with a revised target implementation date</td></tr></table>	Audit Report/Date	Audit Observation	Management Action Plan	Status	19-VIII Safety and Security As of December 31, 2018	Mitigation Recommendation: The University should strengthen policies and procedures for Mitigation.	The University will strengthen policies and procedures for Mitigation. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date	19-VIII Safety and Security As of December 31, 2018	Preparedness Recommendation: The University should strengthen policies and procedures for Preparedness.	The University will strengthen policies and procedures for preparedness. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date
Audit Report/Date	Audit Observation	Management Action Plan	Status										
19-VIII Safety and Security As of December 31, 2018	Mitigation Recommendation: The University should strengthen policies and procedures for Mitigation.	The University will strengthen policies and procedures for Mitigation. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date										
19-VIII Safety and Security As of December 31, 2018	Preparedness Recommendation: The University should strengthen policies and procedures for Preparedness.	The University will strengthen policies and procedures for preparedness. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date										

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details			
	Audit Report/Date	Audit Observation	Management Action Plan	Status
	19-VIII Safety and Security As of December 31, 2018	Response Recommendation: The University should strengthen policies and procedures for Response.	The University will strengthen policies and procedures for Response. Original implementation date was June 1, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date
	19-VIII Safety and Security As of December 31, 2018	Recovery Recommendation: The University should strengthen policies and procedures for Recovery.	The University will strengthen policies and procedures for Recovery. Original implementation date was August 31, 2019. Update 12/31/2021: New EMS Coordinator has been hired and will be tasked with reviewing current EMS plans and determining best practices for SFASU under State and Federal laws. New target implementation date is September 30, 2022	In process but with a revised target implementation date
Observation^:	None			
Recommendation:	None			
Status*:	Not applicable			
Report # and Name:	22-VI Information Technology Follow-Up Audit			
Audit Date:	February 28, 2022			
Audit Objectives:	The audit objective was to gain assurance that previous information technology management action plans have been implemented in an appropriate manner.			
Audit Opinion:	Based on our audit procedures, we found the status as of February 28, 2022 for the eleven (11) IT management action plans as follows:			

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details												
	<table><tr><th>Status as of February 28, 2022</th><th>Actions Plans</th><th>%</th></tr><tr><td>Implemented</td><td>8</td><td>73%</td></tr><tr><td>In process but with a revised target implementation date</td><td>3</td><td>27%</td></tr><tr><td>Total Management Action Plans</td><td>11</td><td>100%</td></tr></table>	Status as of February 28, 2022	Actions Plans	%	Implemented	8	73%	In process but with a revised target implementation date	3	27%	Total Management Action Plans	11	100%
	Status as of February 28, 2022	Actions Plans	%										
	Implemented	8	73%										
	In process but with a revised target implementation date	3	27%										
	Total Management Action Plans	11	100%										
	<p>Though significant progress has been made toward implementing the IT management actions plans as evidenced by the 73% that are Implemented, additional action is needed for some plans to ensure implementation.</p> <p>The three (3) IT management action plans that are In process but with a revised target implementation date will remain on the Audit Services Follow-Up List.</p>												
Observation^:	None												
Recommendation:	None												
Status*:	Not applicable												
Report # and Name:	22-VII Follow-Up of External Information Technology Audits												
Audit Date:	February 28, 2022												
Audit Objectives:	The audit objective was to gain assurance that previous IT management action plans resulting from IT audits with external assistance have been implemented in an appropriate manner.												
Audit Opinion:	<p>Based on our audit procedures, we found the status as of February 28, 2022 for the six (6) IT management action plans as follows:</p> <table><tr><th>Status as of February 28, 2022</th><th>Actions Plans</th><th>%</th></tr><tr><td>Implemented</td><td>0</td><td>0%</td></tr><tr><td>In process but with a revised target implementation date</td><td>6</td><td>100%</td></tr><tr><td>Total Management Action Plans</td><td>6</td><td>100%</td></tr></table> <p>These management action plans include fourteen (14) separate findings. The following chart reflects the status of the findings.</p>	Status as of February 28, 2022	Actions Plans	%	Implemented	0	0%	In process but with a revised target implementation date	6	100%	Total Management Action Plans	6	100%
Status as of February 28, 2022	Actions Plans	%											
Implemented	0	0%											
In process but with a revised target implementation date	6	100%											
Total Management Action Plans	6	100%											

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details																	
	<table><tr><th>Status as of February 28, 2022</th><th>Findings</th><th>%</th></tr><tr><td>Implemented</td><td>2</td><td>14%</td></tr><tr><td>Partially Implemented</td><td>8</td><td>57%</td></tr><tr><td>Repeat/Similar Finding</td><td>4</td><td>29%</td></tr><tr><td>Total Findings</td><td>14</td><td>100%</td></tr></table>			Status as of February 28, 2022	Findings	%	Implemented	2	14%	Partially Implemented	8	57%	Repeat/Similar Finding	4	29%	Total Findings	14	100%
	Status as of February 28, 2022	Findings	%															
	Implemented	2	14%															
	Partially Implemented	8	57%															
	Repeat/Similar Finding	4	29%															
	Total Findings	14	100%															
	Though progress has been made toward implementing the audit findings as evidenced by the 71% that are implemented or partially implemented, additional action is needed for the findings to ensure implementation.																	
	The six (6) IT management action plans that are In process but with a revised target implementation date will remain on the Audit Services Follow-Up List																	
	Observation^:	None																
	Recommendation:	None																
Status*:	Not applicable																	
Report # and Name:	22-VIII Contract Management and Procurement Audit																	
Audit Date:	April 30, 2022																	
Audit Objective(s):	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 related audit management action plans.																	
Audit Opinion:	We gained assurance that the University was generally in compliance with adopting the rules and policies required by TEC §51.9337; the University administered contract management functions for selected contracts in accordance with applicable requirements; and management action plans from the previous audit were implemented.																	
Observation^:	Policies 2.6, <i>Ethics</i> , and 17.25, <i>Procurement Training</i> , prescribe regular training for officers and employees in ethics and procurement. We tested training for the 291 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:																	

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details																																																							
	<table><tr><th rowspan="2">Training Status</th><th colspan="3">Ethics</th><th colspan="3">Purchasing 101</th></tr><tr><th>Officers</th><th>Employees</th><th>Total</th><th>Officers</th><th>Employees</th><th>Total</th></tr><tr><td>Completed</td><td>6</td><td>158</td><td>164</td><td>7</td><td>271</td><td>278</td></tr><tr><td>Not Completed</td><td>3</td><td>124</td><td>127</td><td>2</td><td>11</td><td>13</td></tr><tr><td>Total</td><td>9</td><td>282</td><td>291</td><td>9</td><td>282</td><td>291</td></tr><tr><td>% Completed</td><td>66.7%</td><td>56.0%</td><td>56.4%</td><td>77.8%</td><td>96.1%</td><td>95.5%</td></tr><tr><td>% Not Completed</td><td>33.3%</td><td>44.0%</td><td>43.6%</td><td>22.2%</td><td>3.9%</td><td>4.5%</td></tr><tr><td>Total</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td></tr></table> <p>The University process did not effectively provide training to employees as evidenced by the sharp decline in the employee percent completed for Ethics training. The employee percent completed for Ethics training was 99.7% in the 21-XII Contract Management and Procurement audit. Some trainings for officers were not completed.</p> <p>Observation Rating: Medium</p> <p>Recommendation: The University should establish an effective mechanism to provide and monitor training to ensure it complies with training requirements. A similar recommendation was reported as Observation 4 – Performance Monitoring in the 20-XI University Training audit and is outstanding on the Audit Services Follow-Up List. Officers and employees should complete the required trainings.</p> <p>Status*: Ongoing</p> <p>Observation^: Our procedures included a review of the processes for contract solicitation, procurement, formation, and monitoring. We found that the University generally administered contract management functions for the Chartwells contract in accordance with applicable requirements. However, we noted the following:</p> <ul style="list-style-type: none">• Two material contractual revisions were identified in the first year of the contract.<ul style="list-style-type: none">○ A material change was triggered due to a reduction of meal plan participants compared to the original forecast. Resolution was agreed upon by SFA and Chartwells and documented in a Memorandum of Understanding that will be presented at the July 2022 BOR meeting for approval.○ An amendment is pending BOR approval to alter the advance payment required of SFA for working capital. Although appropriate change management procedures were followed, the amendment does not address all changes necessary. The amendment for Advance Payments is intended to reduce the reviews of billings and will make monthly invoicing	Training Status	Ethics			Purchasing 101			Officers	Employees	Total	Officers	Employees	Total	Completed	6	158	164	7	271	278	Not Completed	3	124	127	2	11	13	Total	9	282	291	9	282	291	% Completed	66.7%	56.0%	56.4%	77.8%	96.1%	95.5%	% Not Completed	33.3%	44.0%	43.6%	22.2%	3.9%	4.5%	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Training Status	Ethics			Purchasing 101																																																				
	Officers	Employees	Total	Officers	Employees	Total																																																		
Completed	6	158	164	7	271	278																																																		
Not Completed	3	124	127	2	11	13																																																		
Total	9	282	291	9	282	291																																																		
% Completed	66.7%	56.0%	56.4%	77.8%	96.1%	95.5%																																																		
% Not Completed	33.3%	44.0%	43.6%	22.2%	3.9%	4.5%																																																		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%																																																		

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS FOR FISCAL YEAR 2022

Element	Audit Details
<p>Recommendation:</p> <p>Status*:</p>	<p>not necessary, but the amendment does not speak to that. In addition, Auxiliary Services' internal procedures do not reflect this change.</p> <ul style="list-style-type: none"> • Performance management had been performed by the Contract Administrator as provided for in the contract. Key Performance Indicators (KPIs) for 4 performance periods were reviewed and improvement was needed for clarification of KPIs and the acceptable performance levels. There was no evidence that any KPI fell below the agreed-upon minimum threshold, therefore no risk payment was due to SFA for the performance periods reviewed. • We reviewed the revenue and expense transactions related to this contract. <ul style="list-style-type: none"> ○ In-kind contributions reflected on the monthly performance review reports provided by Chartwells appear to be \$1,000 less than the contractual amount. ○ Student meal plans include an agreed-upon number of operating days; currently 104 days per fall and spring semesters. The contract does not address how SFA will be billed for student meals provided on days outside the operating schedule. ○ Commissions received appear to be appropriate based on the revenue figures reported by Chartwells on the monthly performance review reports and commission statements. However, these amounts were not verified against supporting documentation. ○ Banner account coding for invoices was not consistent. <p>Observation Rating: Medium</p> <p>The University should strengthen contract monitoring processes for the Chartwells agreement to ensure compliance with contract requirements and acceptable performance levels. The University should also review contract assumptions to determine future financial impact.</p> <p>Ongoing</p>

^ Appendix of observation ratings is provided at the end of this section.

* Status as of July 26, 2022

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS
FOR FISCAL YEAR 2022**

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.

V.

Non-Audit and Consulting Services

**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
University Budget	Performed analysis to aid in the overall understanding and communication of the University budget.
Cash Counts	Performed surprise cash counts
Charter School Financial Audit	Coordinated and assisted with external audit
Ethics Point and Internal Projects	Investigated allegations
University Anti-Fraud Program	Facilitated anonymous reporting system and promoted awareness of fraud and ethics issues
Information Technology Issues	Served as an advisor on controls, policies, and procedures
Information Technology Risk Assessment	Collaborated with ITS on risk assessment
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
Texas Association of College and University Auditors Board Member	Provide leadership and expertise to auditor organization
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 recommendations from these activities are included on the list in Tab IV.

VI.

External Quality Assurance Review

Stephen F. Austin State University

Quality Assurance Review

June 7, 2022



Department of Audit Services

Jane Ann Bridges, CPA, CIA, Interim Chief Audit Executive
Box 6121, SFA Station
Nacogdoches, Texas 75962
Phone 936-468-5204
Fax 936-468-7698
Email bridgesja1@sfasu.edu



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

June 7, 2022

Mr. Tom Mason
Board of Regents
Finance and Audit Committee Chair
P.O. Box 13026
Nacogdoches, Texas 75962

Dear Mr. Mason:

I have completed an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by the university's chief audit executive on March 31, 2022. The objective of the validation was to provide reasonable assurance that the internal auditing program conforms with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors' (IIA) *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and U.S. Government Accountability Office Government Auditing Standards. This objective was addressed through interviews of selected stakeholders to the internal audit function; review of documents prepared by the Internal Audit Department (Department); and evaluation of the Department's work products from a sample of audit reports. These activities were performed during April and May 2022.

Based on the information received and evaluated, I agree with the Department's opinion that it **Generally Conforms** with the Texas Internal Auditing Act, the IIA *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and U.S. Government Accountability Office Government Auditing Standards in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. The validation was conducted using the State Agency Internal Audit Forum Peer Review guidelines and Master Peer Review Program as guidance.

The cooperation and assistance provided throughout the course of the review by Internal Audit and the Stephen F. Austin community is greatly appreciated.

Sincerely,

Charlie Hrnair, CPA
Chief Auditor
The Texas A&M University System

cc: Dr. Steve Westbrook, Interim President
Jane Ann Bridges, Interim Chief Audit Executive

Overall Conclusion

The internal audit function Generally Conforms with the Texas Internal Auditing Act, the IIA Code of Ethics and International Standards for the Professional Practice of Internal Auditing (Standards), and U.S. Government Accountability Office Government Auditing Standards (GAGAS) in all material respects during the period under review. I agree with the results of the self-assessment performed by the Department of Audit Services (Department).

The rating system that was 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 has policies, procedures, and a charter that were judged to be in accordance with the standards, even if opportunities for improvement may exist
- "Partially Conforms" means deficiencies, while they might impair, did not prohibit the Department from carrying out its responsibilities
- "Does Not Conform" means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the Department from carrying out its responsibilities

The following table lists the specific sections of the IIA Standards, Code of Ethics, and GAGAS and contains my opinion of how the activities of the Department conform to each section:

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 Risks	Generally Conforms
<i>The Institute of Internal Auditors' Code of Ethics</i>	Generally Conforms
Generally Accepted Government Auditing Standards	Generally Conforms
Texas Internal Auditing Act	Generally Conforms

Engagement Overview

Background

Internal audit functions within Texas state agencies, including higher education systems and institutions, are required to conform with:

- The Texas Internal Auditing Act (Texas Government Code, Chapter 2102),
- The Institute of Internal Auditors (IIA) *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and
- U.S. Government Accountability Office Generally Accepted Government Auditing Standards (GAGAS).

These standards require internal audit functions to undergo periodic external quality assurance reviews to assess conformance with the standards at least every three years. The Department completed its last external quality assurance review in August 2019.

Objective, Scope, and Methodology

The objective of the validation was to provide reasonable assurance that the internal auditing program conforms to the standards listed above and to appraise the quality of its operations. The scope of the review covered the time period from June 1, 2019, through March 31, 2022.

The objective was accomplished through the following procedures:

- Interviews of selected stakeholders of the internal audit function, including the Board of Regents' Finance and Audit Committee Chair
- Interviews of staff members
- Review of the previous external quality assurance report
- Review of internal audit charter
- Review of the organizational structure and reporting lines of the audit function
- Review of the qualifications and training histories of the audit staff
- Review of the annual risk assessment, audit plan, audit manual, follow-up reports, and other materials prepared by the Department
- Review of the quality assurance and improvement program
- Examination of a sample of the Department's work products and audit reports

These activities were performed during April and May 2022.

Report Distribution

Steve Westbrook, Interim President
David R. Alders, Regent
Robert Flores, Regent
Karen Gantt, Regent, Chair
Brigettee C. Henderson, Regent
Tom Mason, Regent, Finance and Audit Committee Chair
Judy Olson, Regent
Laura Rectenwald, Regent
Nancy C. Windham, Regent
Jennifer Winston, Regent, Secretary
Spencer Coffey, Student Regent
Jane Ann Bridges, Interim Chief Audit Executive

VII.

Internal Quality Assessment

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 Program

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

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

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 2022, overall 58% of management action plans were implemented.***
- % of responses to annual risk assessment survey. ***For Fiscal Year 2022 risk assessment survey, 126 out of 126 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 2022, Audit Services issued 12 audit reports and worked on numerous internal and special projects.***
- Maintaining certifications. ***All audit staff are certified. Both professionals are Certified Public Accountants and Certified Internal Auditors.***

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

2022 Goals

The CAE set the following department goals for Fiscal Year 2022 to aid in compliance with standards and efficiency:

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 for Fiscal Year 2022 included hours to perform follow-up procedures on a more frequent basis. Audit Services performed one regular follow-up audit and two IT follow-up audits during the year (Audits 22-I, 22-VI, and 22-VII). Currently, there are forty-five (45) outstanding management action plans.***
2. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The audit plan for Fiscal Year 2022 included hours for continuous auditing. Audit Services completed the continuous auditing project for procurement cards and plans to build upon it by adding a quarterly review in addition to a second area of focus in Fiscal Year 2023.***
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 provided opportunities for team members where needed and utilized the expertise of Myers & Stauffer and the University Chief Information Security Officer.***
4. Develop a plan for Construction Audit Services using external resources. ***CBIZ has been selected to provide construction audit services. The construction management close-out audit for the basketball practice facility is in process.***
5. Develop relationships with new members of the Administration. ***The CAE worked with members of Administration to develop professional relationships.***
6. Develop a plan for implementation of other features in the new version of the audit software. ***Audit Services leveraged the audit software to improve processes and increase efficiency.***

2023 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 2023:

1. Adjust to changes in department structure due to transition of staff. ***Work to replace vacant positions and provide onboarding, orientation, training, and support for new staff members.***

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

2. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The audit plan for Fiscal Year 2023 includes hours to expand our continuous auditing function. Plan to add a quarterly review for procurement cards and a second area of focus.***
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. The CAE will facilitate securing a master agreement with the firm selected to provide IT audit services as a result of the request for qualifications process.***
4. Develop relationships with members of Administration. ***The CAE will seek out ways to foster professional relationships with members of Administration.***
5. Develop a plan for implementation of other features in the new version of the audit software. ***The audit plan includes hours for enhancing the utilization of audit software.***

VIII.

FY 2023 Audit Plan

SFASU DEPARTMENT OF AUDIT SERVICES FIVE-YEAR AND FISCAL YEAR 2023 AUDIT PLANS

FIVE-YEAR AUDIT PLAN

Audits are scheduled in a five-year Audit Plan as shown below.

Audit Projects	2023	2024	2025	2026	2027
Audit Assistance to Oversight Agencies	X	X	X	X	X
Benefits Proportionality by Method of Finance*					
Charter School (<i>annual</i>)	X	X	X	X	X
Contract Management and Procurement (<i>annual</i>)	X	X	X	X	X
Departmental and/or Operational Audits	X	X	X	X	X
Facilities Audit (<i>every five years</i>)		X			
Follow-Up	X	X	X	X	X
National Collegiate Athletic Association (<i>annual</i>)	X	X	X	X	X
Public Funds Investment Act (<i>biennial</i>)	X		X		X
Quality Assurance Review			X		
Risk-Based and Other Audits	X	X	X	X	X
Safety and Security Audit (<i>triennial</i>)			X		
Southern Association of Colleges and Schools	<i>every ten years - 2032</i>				
Texas Administrative Code 202 (<i>biennial</i>)	X		X		X
Texas Workforce Commission Review	<i>every six years - 2028</i>				

* For fiscal years 2022 and 2023, institutions of Higher education shall also consider audits of benefit proportional when developing their annual internal audit plans.

FISCAL YEAR 2023 AUDIT PLAN

The fiscal year 2023 Audit Plan allocable hours of 7,730 is based on staff of four (4) internal audit professionals and one (1) graduate research assistant, taking into consideration leave time.

The fiscal year 2023 Audit Plan reflects details for audits and other activities the Department of Audit Services plans to perform during the fiscal year. Audit resources are divided among risk-based audits, information technology audits, required audits, special projects, investigations, meetings, committee service, audit administration, professional development, and department activities. Details are shown on the following page.

**SFASU DEPARTMENT OF AUDIT SERVICES
FIVE-YEAR AND FISCAL YEAR 2023 AUDIT PLANS**

Fiscal Year 2023 Audit Plan	High-Level Description	Hours
Audits		
Annual Audit Plan and Report	Prepare annual audit plan and report	100
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	240
Departmental and/or Operational Audits	Review controls and compliance required by regulations	800
Emergency Relief Funding Audit	Review compliance required by regulations	500
External Audit Assistance	Provide assistance for state, federal, and other audits	240
Follow-Up Audits and Projects	Perform follow-up audits and projects	400
Information Technology Audits and Projects	Perform TAC 202 audits, other audits, and projects	500
Investment Audit	Review compliance required by TGC 2256 (PFIA)	240
Safety and Security Follow-Up Audit	Perform follow-up audit	360
Other Activities		
Continuous Auditing	Perform regular auditing procedures	600
Fraud & Ethics Program; Investigations	Facilitate university anonymous reporting system; Perform investigations and projects	350
Special Projects	Perform special projects	350
Committees, Meetings, and Events	Serve as advisory member of committees; Prepare for and attend meetings and events	520
Department Activities		
Annual Risk Assessment	Facilitate annual university risk assessment	120
Quality Assurance	Perform internal quality procedures and assessments, participate on assessment teams, and records management	120
Software Maintenance and Training	Audit software	80
Professional Development and Travel	Professional development, training, and travel	260
Staff Meetings	Regular staff meetings	350
General and Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	550
General and Administrative GRA	Graduate Research Assistant help with administrative work	350
Total Allocated Hours		7,730

Any changes to the 2023 Audit Plan will be made in accordance with the Audit Charter.

IX.
Risk Assessment

SFASU DEPARTMENT OF AUDIT SERVICES RISK ASSESSMENT

The University continually assesses risk at all levels. Risks are discussed and evaluated as new regulations are proposed and enacted; management changes occur; information technology upgrades or changes are made; goals and objectives are set and reviewed; and other factors as necessary. The University Compliance Committee helps facilitate the continual assessment of risks through 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 for Finance and Administration (VPFA), facilitates an annual University-wide risk assessment. A survey of risks is developed with University input. One hundred twenty-six members of the University community including administrators, deans, department chairs, and directors were asked to participate in the survey for Fiscal Year 2022-2023. 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, fifty-nine departmental questions were asked to assess departmental risks. Responses to these questions were weighted to determine an overall department risk ranking. The 2022-23 survey had a 100% response rate. The survey was used by Audit Services in the development of the Fiscal Year 2023 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 2023 Audit Plan on July 26, 2022. 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 2023 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; funds that are under the control of other entities or agencies; and University climate.

X.
External Audit Services

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

Auditor	Purpose
Goff & Herrington, P.C.	Perform agreed-upon procedures engagement as required by the National Collegiate Athletic Association as of August 31, 2021.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2021.
Myers and Stauffer, L.C.	Perform internal audit services related to Information Technology.
Belt Harris Pechacek, LLLP	Perform audit of the financial statements of the University, which comprise the Statements of Net Position of the University as of August 31, 2021, and the related Statements of Revenues, Expense, Changes in Net Position and Statements of Cash Flows for the year then ended.
Belt Harris Pechacek, LLLP	Perform evaluation of Stephen F. Austin State University Unrestricted Net Position.

XI. Reporting Fraud

SFASU DEPARTMENT OF AUDIT SERVICES REPORTING SUSPECTED FRAUD AND ABUSE

In order to implement the requirements of Article IX, Section 7.09, page IX-38, the General Appropriations Act (87th 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 <https://www.sfasu.edu/docs/policies/2.7.pdf>.
- SFASU provides a link for reporting fraud on the SFASU website homepage at <http://www.sfasu.edu/>.
- SFASU distributes fraud posters that include the website and phone number to report fraud to the State Auditor's Office as shown below:



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

SFASU DEPARTMENT OF AUDIT SERVICES REPORTING SUSPECTED FRAUD AND ABUSE

- 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.

XII.

Audit Charter

SFASU DEPARTMENT OF AUDIT SERVICES

INTERNAL AUDIT ACTIVITY CHARTER

INTRODUCTION

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

PURPOSE

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

ROLE

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

PROFESSIONALISM

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

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

AUTHORITY

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

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, at least annually, 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:

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

INTERNAL AUDIT PLAN

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

REPORTING AND MONITORING

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

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

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

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

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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

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

RELEVANT STATUTES AND POLICIES

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

APPROVAL

The Internal Audit Activity Charter was submitted by the Chief Audit Executive for review and approval by the Finance and Audit Committee and Board of Regents on October 31, 2022.