

Stephen F. Austin State University

Annual Audit Report

As of August 31, 2023

Audit Report 24-200



Department of Audit Services

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**SFASU DEPARTMENT OF AUDIT SERVICES
FISCAL YEAR 2023 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 assurance services, consulting services, and other activities of the internal audit function. In addition, the annual audit report assists oversight agencies in their 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 incorporates requirements set forth by the State Auditor's Office (SAO).

The mission of the Department of Audit Services is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Audit Services assists SFASU in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal control. Details may be found in the *Internal Audit Activity Charter* in Tab XIII.

Fiscal Year (FY) 2023 was an exciting year for SFASU as well as for Audit Services.

- SFASU Board of Regents (BOR) voted to join the University of Texas System (UTS) effective September 2023. As such, Audit Services began the transition to UTS by utilizing the UTS Risk Assessment and Annual Audit Plan methodology for developing the FY 2024 Audit Plan.
- After having operated the later part of FY 2022 with two vacancies, we were successful in hiring and onboarding two new team members.

We appreciate the support received during the year from the BOR, President, Administration, Faculty, and Staff of the University. 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, CFE
Chief Audit Executive

II.

Compliance with Texas Government Code §2102.015

SFASU DEPARTMENT OF AUDIT SERVICES COMPLIANCE WITH TEXAS GOVERNMENT CODE §2102.015

In order to comply with Texas Government Code, Section 2102.015 regarding posting the Audit Plan, Annual Audit Report, and other audit information on the internet website, the Department of Audit Services will post the 2023 Annual Audit Report, which includes the required items, on its website at <http://www.sfasu.edu/audit/>. 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.

Summary of Audits for Fiscal Year 2023

SFASU DEPARTMENT OF AUDIT SERVICES SUMMARY OF AUDITS FOR FISCAL YEAR 2023

The following table details Audit Services' progress on the FY 2023 Audit Plan:

#	Audit Name	Status at 08/31/23
22-IV	Endowment Audit	Completed
22-IX	Construction Management Close Out – Basketball Performance Center	Completed
22-X	Higher Education Emergency Relief Funds Audit	Completed
23-I	Follow-Up Audit	Completed
23-II	Office of Provost Audit	Completed
23-III	University Marketing Communications Audit	Completed
23-IV	Higher Education Emergency Relief Funds – Institutional Portion Audit	Completed
23-V	Higher Education Emergency Relief Funds – Student Portion	In Process
23-VI	Safety and Security Follow-Up Audit	Completed
23-VII	Contract Management and Procurement	In Process
23-VIII	Follow-Up Audit	In Process
23-IX	Construction Management Close Out – Fine Arts	In Process
EP 23-D	Financial Aid – Perkins Close Out (<i>project is included on the audit plan under External Audit Assistance.</i>)	In Process

Audit Services had the following deviations from the FY 2023 Audit Plan:

Audit Plan Item	Action	Reason
Investment (PFIA) Audit	Not performed	During FY 2023, the SFA Board of Regent's voted to join the University of Texas System effective FY 2024. This affiliation will have a significant impact on the University's investment activities and subjectivity to the Public Investment Act. Audit will be performing a FY 2024 audit once FY 2023 data is available.
Information Technology Audit	Not performed	Resources were not available to complete this audit. This audit will be performed in FY 2024.

SFASU DEPARTMENT OF AUDIT SERVICES SUMMARY OF AUDITS FOR FISCAL YEAR 2023

The following audit reports from FY 2023 address specific higher education requirements:

#	Report Name	Higher Education Requirement
23-VII	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.

The list in Tab IV details high-level audit objectives and recommendations. The current status is as of August 31, 2023.

IV.

List of Audit Objectives and Recommendations for Fiscal Year 2023

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023**

Element	Audit Details																								
Report # and Name:	22-IV Endowment Audit																								
Audit Date:	As of August 31, 2021																								
Audit Objective(s):	<p>The audit objectives were to gain assurance of the following:</p> <ul style="list-style-type: none">• University endowment assets are appropriately recorded;• University endowment accounts and spending accounts are appropriately reflected in the University net position;• Expenditures from endowment spending accounts are used in compliance with donor agreements;• Endowment spending accounts are effectively and timely used in accordance with agreements;• University endowment information is reported appropriately to donors;• Endowment policies and procedures are appropriate and formally documented;• University endowment records are maintained in accordance with record retention requirements;• Opportunities for fraud related to endowments are minimized.																								
Audit Opinion:	We gained assurance that the University endowment assets were appropriately recorded; University endowment accounts and spending accounts were appropriately reflected in the University net position; expenditures from endowment spending accounts were used in compliance with donor agreements; endowment spending accounts were effectively and timely used in accordance with agreements; University endowment information was reported appropriately to donors; Endowment policies and procedures were appropriate and formally documented; University endowment records were maintained in accordance with record retention requirements; and opportunities for fraud related to endowments were minimized.																								
Observation^:	<p>Endowment-related spending accounts as of August 31, 2021 were as follows:</p> <table><tr><th>Account Balance</th><th>Amount</th><th># of Accounts</th></tr><tr><td>Less than \$0.00</td><td>\$ (258,958.86)</td><td>14</td></tr><tr><td>\$0 - \$49,999.99</td><td>\$ 2,941,711.59</td><td>942</td></tr><tr><td>\$50,000 - \$99,999.99</td><td>\$ 1,033,671.16</td><td>15</td></tr><tr><td>\$100,000 - \$249,999.99</td><td>\$ 1,460,597.32</td><td>9</td></tr><tr><td>\$250,000 - \$499,999.99</td><td>\$ 381,691.94</td><td>1</td></tr><tr><td>Greater than or Equal to \$500,000</td><td>\$ 0</td><td>0</td></tr><tr><td>Total *</td><td>\$ 5,558,713.15</td><td>981</td></tr></table>	Account Balance	Amount	# of Accounts	Less than \$0.00	\$ (258,958.86)	14	\$0 - \$49,999.99	\$ 2,941,711.59	942	\$50,000 - \$99,999.99	\$ 1,033,671.16	15	\$100,000 - \$249,999.99	\$ 1,460,597.32	9	\$250,000 - \$499,999.99	\$ 381,691.94	1	Greater than or Equal to \$500,000	\$ 0	0	Total *	\$ 5,558,713.15	981
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Greater than or Equal to \$500,000	\$ 0	0																							
Total *	\$ 5,558,713.15	981																							
	<p>*Some accounts may include distributions from endowments in addition to other gifts.</p>																								

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

^{*} Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details																																																																																										
	<p>While performing our procedures, we noted 10 endowment-related spending accounts with a balance in excess of \$100,000. The balances in these accounts have continued to increase over time. Balances may include distributions from endowments and gifts from non-endowment sources.</p> <table><tr><th>Banner Endowment-Related Spending Account</th><th>FY20</th><th>FY21</th><th>FY22 as of 10/13/22</th><th>Purpose</th></tr><tr><td>288388 - Chadwick Family Banking Pro</td><td>\$ 118,410.77</td><td>\$ 154,117.47</td><td>\$ 188,253.48</td><td>Scholarships for banking majors</td></tr><tr><td>289835 - Marieta Chadwick STU FA</td><td>\$ 180,072.26</td><td>\$ 214,635.53</td><td>\$ 244,906.23</td><td>Scholarships for business majors from Center High School</td></tr><tr><td>290050 - Nelson Rusche Ed Enrich Schl</td><td>\$ 377,199.80</td><td>\$ 381,691.94</td><td>\$ 400,191.94</td><td>Scholarships for business majors</td></tr><tr><td>290075 - Nelwyn Cordell Stephens Scholarship</td><td>\$ 150,234.60</td><td>\$ 182,922.05</td><td>\$ 170,525.38</td><td>Scholarships for business majors</td></tr><tr><td>290100 - Nursing Excellence</td><td>\$ 100,690.78</td><td>\$ 112,367.49</td><td>\$ 116,985.74</td><td>Scholarships for nursing majors</td></tr><tr><td>290425 - Richey Rusk High School Scholarship</td><td>\$ 102,698.30</td><td>\$ 102,698.29</td><td>\$ 122,064.94</td><td>Scholarships for Rusk ISD Top 10% graduates</td></tr><tr><td>290580 - SFA Arboretum Fund</td><td>\$ 105,522.22</td><td>\$ 161,136.92</td><td>\$ 216,753.35</td><td>Support for SFA Arboretum</td></tr><tr><td>290950 - TLL Temple Chair</td><td>\$ 323,032.42</td><td>\$ 239,532.48</td><td>\$ 217,283.62</td><td>Support for graduate education/research - College of Forestry</td></tr><tr><td>285101 - Rockwell Prof Discretionary Fund</td><td>\$ 126,806.10</td><td>\$ 149,621.25</td><td>\$ 118,333.62</td><td>Support for Rockwell Professor - College of Forestry</td></tr><tr><td>290450 - Rockwell Forestry Discretionary</td><td>\$ 168,545.01</td><td>\$ 143,565.84</td><td>\$ 119,805.34</td><td>Support for College of Forestry</td></tr><tr><td>Total</td><td>\$ 1,753,212.26</td><td>\$ 1,842,289.26</td><td>\$ 1,915,103.64</td><td></td></tr></table> <p>We noted 14 spending accounts that had negative balances, with 4 of these having a negative balance greater than \$25,000.</p> <table><tr><th>Banner Endowment-Related Spending Account</th><th>FY20</th><th>FY21</th><th>FY22 as of 10/13/22</th><th>Purpose</th></tr><tr><td>281940 - Lumberjack Leverage</td><td>\$ 32,441.00</td><td>\$ (26,804.39)</td><td>\$ (44,410.26)</td><td>Scholarships for students demonstrating superior achievement and potential</td></tr><tr><td>288070 - Alumni Athletic Scholarship</td><td>\$ (99,389.81)</td><td>\$ (104,247.40)</td><td>\$ 53,375.26</td><td>Scholarships for athletes</td></tr><tr><td>289490 - Jack Club Basketball</td><td>\$ 41,169.63</td><td>\$ (82,466.08)</td><td>\$ (232,460.38)</td><td>Scholarships for basketball athletes</td></tr><tr><td>287050 - PWCC Program Fund</td><td>\$ (34,226.67)</td><td>\$ (36,273.82)</td><td>\$ (36,273.82)</td><td>Support for College of Forestry</td></tr><tr><td>Total</td><td>\$ (60,005.85)</td><td>\$ (249,791.69)</td><td>\$ (259,769.20)</td><td></td></tr></table> <p>Observation Rating: Medium</p> <p>Recommendation: The Fund Managers should review endowment-related spending accounts to determine if funds are being utilized effectively and timely in accordance with donor agreements. Fund Managers should strengthen procedures for</p>	Banner Endowment-Related Spending Account	FY20	FY21	FY22 as of 10/13/22	Purpose	288388 - Chadwick Family Banking Pro	\$ 118,410.77	\$ 154,117.47	\$ 188,253.48	Scholarships for banking majors	289835 - Marieta Chadwick STU FA	\$ 180,072.26	\$ 214,635.53	\$ 244,906.23	Scholarships for business majors from Center High School	290050 - Nelson Rusche Ed Enrich Schl	\$ 377,199.80	\$ 381,691.94	\$ 400,191.94	Scholarships for business majors	290075 - Nelwyn Cordell Stephens Scholarship	\$ 150,234.60	\$ 182,922.05	\$ 170,525.38	Scholarships for business majors	290100 - Nursing Excellence	\$ 100,690.78	\$ 112,367.49	\$ 116,985.74	Scholarships for nursing majors	290425 - Richey Rusk High School Scholarship	\$ 102,698.30	\$ 102,698.29	\$ 122,064.94	Scholarships for Rusk ISD Top 10% graduates	290580 - SFA Arboretum Fund	\$ 105,522.22	\$ 161,136.92	\$ 216,753.35	Support for SFA Arboretum	290950 - TLL Temple Chair	\$ 323,032.42	\$ 239,532.48	\$ 217,283.62	Support for graduate education/research - College of Forestry	285101 - Rockwell Prof Discretionary Fund	\$ 126,806.10	\$ 149,621.25	\$ 118,333.62	Support for Rockwell Professor - College of Forestry	290450 - Rockwell Forestry Discretionary	\$ 168,545.01	\$ 143,565.84	\$ 119,805.34	Support for College of Forestry	Total	\$ 1,753,212.26	\$ 1,842,289.26	\$ 1,915,103.64		Banner Endowment-Related Spending Account	FY20	FY21	FY22 as of 10/13/22	Purpose	281940 - Lumberjack Leverage	\$ 32,441.00	\$ (26,804.39)	\$ (44,410.26)	Scholarships for students demonstrating superior achievement and potential	288070 - Alumni Athletic Scholarship	\$ (99,389.81)	\$ (104,247.40)	\$ 53,375.26	Scholarships for athletes	289490 - Jack Club Basketball	\$ 41,169.63	\$ (82,466.08)	\$ (232,460.38)	Scholarships for basketball athletes	287050 - PWCC Program Fund	\$ (34,226.67)	\$ (36,273.82)	\$ (36,273.82)	Support for College of Forestry	Total	\$ (60,005.85)	\$ (249,791.69)	\$ (259,769.20)	
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^ Appendix of observation ratings is provided at the end of this section.

* Status as of August 31, 2023

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023**

Element	Audit Details										
Status*:	monitoring accounts with negative balances. Ongoing										
Report # and Name:	22-IX Construction Management Close-Out – Basketball Performance Center										
Audit Date:	As of July 27, 2022										
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; • Selected terms and conditions of contracts are appropriately fulfilled; • Close-out procedures are formally documented; • Construction records are retained in accordance with record retention requirements. 										
Audit Opinion:	We gained assurance that controls and processes for Construction Management Close-Out generally existed and were operating as intended. We found project payments were made in general conformance with contract provisions, selected terms and conditions of contracts were appropriately fulfilled, and construction records were retained in accordance with record retention requirements. However, the close-out report had not been finalized.										
Observation^:	<p>The review identified \$101,017.86 (0.41% of total project costs reviewed) in questionable project costs. This amount does not include \$340,688 in subcontractor change orders that were not reviewed as there was no detailed itemized pricing in support of the labor and equipment amounts as required by Texas Uniform General Conditions.</p> <table border="1"> <thead> <tr> <th>Project Phase</th><th>Amount Reviewed</th></tr> </thead> <tbody> <tr> <td>Preconstruction</td><td>\$ 107,447.81</td></tr> <tr> <td>Phase 1 (Tunnel)</td><td>\$ 1,234,351.45</td></tr> <tr> <td>Phase 2</td><td>\$ 23,589,843.15</td></tr> <tr> <td>Total Project Costs Reviewed by CBIZ</td><td>\$ 24,931,642.41</td></tr> </tbody> </table> <p>Observation Rating: Medium</p>	Project Phase	Amount Reviewed	Preconstruction	\$ 107,447.81	Phase 1 (Tunnel)	\$ 1,234,351.45	Phase 2	\$ 23,589,843.15	Total Project Costs Reviewed by CBIZ	\$ 24,931,642.41
Project Phase	Amount Reviewed										
Preconstruction	\$ 107,447.81										
Phase 1 (Tunnel)	\$ 1,234,351.45										
Phase 2	\$ 23,589,843.15										
Total Project Costs Reviewed by CBIZ	\$ 24,931,642.41										
Recommendation	Finance and Administration should review the questionable project costs and determine appropriate disposition.										
Status*:	Completed										

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
Observation^:	<p>During our audit, we noted the following:</p> <ul style="list-style-type: none"> Construction management procedures do not address the timeliness of and contents for the final project close-out report; Agreed-upon equipment and labor rates were not clearly documented or incorporated into the contract or change order(s); Agreed-upon subcontractor equipment and labor rates for change orders and time and material work were not clearly documented in the contract or on a change order(s); Accounting for the use of allowances was not clearly documented and the use of allowances was not documented on a change order(s); Additional work performed by some subcontractors was not documented on a change order(s); The Physical Plant Department did not request detailed itemized pricing documentation for subcontractor change orders. <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Physical Plant Department should strengthen construction management procedures.
Status*:	Ongoing
Report # and Name:	22-X Higher Education Emergency Relief Funds Audit
Audit Date:	As of July 31, 2022
Audit Objective(s):	The audit objective was to gain assurance that the University was in compliance with the applicable HEERF reporting requirements prescribed by the HEERF grant programs.
Audit Opinion:	We gained assurance that the University was generally in compliance with the applicable HEERF reporting requirements prescribed by the HEERF grant programs.
Observation^:	None
Recommendation:	None
Status*:	Not applicable
Report # and Name:	23-I Follow-Up Audit
Audit Date:	As of January 30, 2023

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details															
Audit Objective(s):	The audit objective was to gain assurance that management action plans have been implemented in an appropriate manner.															
Audit Opinion:	<p>Based on our audit procedures, we found the status as of January 30, 2023 for the thirty-three (33) management action plans as follows:</p> <table><tr><th>Status as of January 30, 2023</th><th>Actions Plans</th><th>%</th></tr><tr><td><i>Implemented</i></td><td>19</td><td>58%</td></tr><tr><td><i>In process but with a revised target implementation date</i></td><td>12</td><td>36%</td></tr><tr><td><i>Verified</i></td><td>2</td><td>6%</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 64% that are either 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 January 30, 2023.</p> <p>The twelve (12) <i>In process but with a revised target implementation date</i> will remain on Audit Services Follow-Up List.</p>	Status as of January 30, 2023	Actions Plans	%	<i>Implemented</i>	19	58%	<i>In process but with a revised target implementation date</i>	12	36%	<i>Verified</i>	2	6%	Total Management Action Plans	33	100%
Status as of January 30, 2023	Actions Plans	%														
<i>Implemented</i>	19	58%														
<i>In process but with a revised target implementation date</i>	12	36%														
<i>Verified</i>	2	6%														
Total Management Action Plans	33	100%														
Observation^:	None															
Recommendation:	None															
Status*:	Not Applicable															
Report # and Name:	23-II Office of the Provost Audit															
Audit Date:	As of August 31, 2022															
Audit Objective(s):	The audit objective was to gain assurance for the following: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and minimization of fraud risks and opportunities.															
Audit Opinion:	We found that the Office of the Provost has controls in place to generally conform with requirements in areas tested related to our audit objectives.															
Observation^:	During our review of leave reporting, we found the following:															

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
	<ul style="list-style-type: none"> For non-exempt employees, 11 of 12 (92%) instances of leave taken or requested were not supported by documentation. For exempt employees, 3 of 6 (50%) instances of leave taken or requested were not supported by documentation. <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.
Status*:	Ongoing
Observation^:	<p>During our property testing, we noted the following:</p> <ul style="list-style-type: none"> 4 of 10 (40%) property items were reviewed with one or more exceptions. <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Department should add or strengthen procedures to ensure compliance with University regulations for property.
Status*:	Completed
Observation^:	<p>During our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> 6 of 10 (60%) procurement card transactions were reviewed with one or more exceptions. <p>In addition, the Department had one procurement card. 1 of 1 (100%) monthly file was reviewed with one or more exceptions.</p> <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.
Status*:	Ongoing
Observation^:	<p>During our audit procedures, we noted the 5 department employees had not completed the Compliance training.</p> <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The employees should complete the required training.

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
Status*:	Completed
Observation^:	<p>During our travel testing, we noted the following:</p> <ul style="list-style-type: none"> • 3 of 3 (100%) travel reports were reviewed with one or more exceptions. • 1 of 3 (33%) employees had not been assigned T-Card training. <p><i>Observation Rating:</i> Low</p>
Recommendation:	The Department should add or strengthen procedures to ensure compliance with University regulations for travel.
Status*:	Ongoing
Report # and Name:	23-III Univieristy Marketing Communications Audit
Audit Date:	As of August 31, 2022
Audit Objective(s):	The audit objective was to gain assurance for the following: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an appropriate, efficient, and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and minimization of fraud risks and opportunities.
Audit Opinion:	We found that University Marketing Communications has controls in place to generally conform with requirements in areas tested related to our audit objectives.
Observation^:	<p>During our review of leave reporting, we noted leave taken or requested was not supported by documentation.</p> <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.
Status*:	Ongoing
Observation^:	<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • Some logical security procedures were not in compliance with University standards. • The Department did not have documented procedures for the oversight

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

* Status as of August 31, 2023

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023**

Element	Audit Details																		
	<p>of authentication services for two applications.</p> <p><i>Observation Rating:</i> Medium</p> <p>Recommendation: The Department should strengthen logical security and authentication procedures.</p> <p>Status*: Ongoing</p> <p>Observation^: During our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> 6 of 10 (60%) procurement card transactions were reviewed with one or more exceptions. <p>In addition, the Department had three procurement cards. 3 of 3 (100%) monthly reports were reviewed with one or more exceptions.</p> <p><i>Observation Rating:</i> Medium</p> <p>Recommendation: The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.</p> <p>Status*: Ongoing</p> <p>Observation^: We noted the following during our review of receipts for the Department:</p> <table border="1"> <thead> <tr> <th>Receipt Control</th><th>Department</th></tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td><td>No</td></tr> <tr> <td>Written Receipt Procedures</td><td>No</td></tr> <tr> <td>Receipts Signage</td><td>No</td></tr> <tr> <td>Record Retention Requirement</td><td>Yes</td></tr> <tr> <td>Job Description Language</td><td>No</td></tr> <tr> <td>Timely Deposit</td><td>Yes</td></tr> <tr> <td>Fully Completed Receipts</td><td>No</td></tr> <tr> <td>Receipts and Deposits Training</td><td>No</td></tr> </tbody> </table> <p><i>Observation Rating:</i> Medium</p> <p>Recommendation: The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p> <p>Status*: Ongoing</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	Yes	Fully Completed Receipts	No	Receipts and Deposits Training	No
Receipt Control	Department																		
Proper Segregation of Duties	No																		
Written Receipt Procedures	No																		
Receipts Signage	No																		
Record Retention Requirement	Yes																		
Job Description Language	No																		
Timely Deposit	Yes																		
Fully Completed Receipts	No																		
Receipts and Deposits Training	No																		

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
Observation^:	During our audit procedures, we noted the 20 department employees had not been assigned the Compliance training.
	<i>Observation Rating:</i> Medium
Recommendation:	Human Resources should assign the employees the required training and the employees should complete the pending training.
Status*:	Ongoing
Observation^:	During our travel testing, we noted the following: <ul style="list-style-type: none"> • 2 of 2 (100%) travel reports were reviewed with one or more exceptions. • 1 of 6 (17%) employees were not current on T-Card training.
	<i>Observation Rating:</i> Low
Recommendation:	The Department should add or strengthen procedures to ensure compliance with University regulations for travel.
Status*:	Ongoing
Report # and Name:	23-IV Higher Education Emergency Relief Funds – Institutional Portion Audit
Audit Date:	As of January 31, 2023
Audit Objective(s):	The audit objective was to gain assurance that the University was in compliance with the applicable HEERF Institutional Portion spending requirements prescribed by the HEERF grant programs.
Audit Opinion:	We gained assurance that the University was generally in compliance with the applicable HEERF Institutional Portion spending requirements prescribed by the HEERF grant programs.
Observation^:	During our review, we noted that some supporting documentation relating to the Institutional Portion of HEERF was not readily available and initially did not provide clear justification for allowable purpose, specifically relating to lost revenue which in total accounted for approximately 93% of the Institutional Portion claimed.
	<i>Observation Rating:</i> High
Recommendation:	The Office of Financial Reporting subsequently provided the supporting information for the lost revenue calculation. The supporting documentation for the HEERF journal entries will be reviewed and formalized for record retention.

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
Status*:	Ongoing
Report # and Name:	23-VI Safety and Security Follow-Up Audit
Audit Date:	As of January 31, 2023
Audit Objective(s):	The audit objectives were to gain assurance for the following: <ul style="list-style-type: none"> University's safety and security program was in compliance with TEC §51.217. Previous safety and security audit management action plans had been implemented in an appropriate manner.
Audit Opinion:	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. Based on our audit procedures, which included reviewing the Safety and Security Self-Assessment Report, we gained assurance that the University's Safety and Security program is generally in compliance with TEC §51.217.
Observation^:	None
Recommendation:	None
Status*:	Not Applicable
Report # and Name:	SP 22-I University Annual Inventory
Audit Date:	As of October 31, 2022
Audit Objective(s):	The special project objectives were to gain assurance that the inventories were accurate and appropriately recorded in the University's records, and managed in accordance with University policies and procedures.
Audit Opinion:	We gained assurance that the University annual consumable and merchandise inventories were accurately and appropriately reported in the University's records and generally managed in accordance with University policies and procedures.
Observation^:	While performing our procedures, we noted the following: <ul style="list-style-type: none"> Audit Services selected 3 out of 9 (33%) Physical Plant shops for review; 2 of 3 (67%) shops were reviewed with one or more exceptions. Obsolete inventory was not identified and therefore, was included in the fiscal year 2022 inventory value.

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
<p>Recommendation:</p> <p>Status*:</p> <p>Observation^:</p>	<p><i>Observation Rating:</i> Low</p> <p>The department should strengthen procedures for maintaining an accurate and current inventory.</p> <p>Ongoing</p> <p>While performing our procedures, we noted the department lacked documented policies and procedures for inventory.</p> <ul style="list-style-type: none"> Audit Services selected 9 of 167 (5%) items located at SFA for review; 8 of 9 (89%) items were reviewed with one or more exceptions. Audit Services did not review the inventory located at Texas A&M University. Sales of merchandise were not documented or reconciled to receipts in Banner. Items used for promotional purposes (i.e. complimentary copies) were not documented. Obsolete inventory was not identified and therefore, was included in the fiscal year 2022 inventory value. <p><i>Observation Rating:</i> Medium</p>
<p>Recommendation:</p> <p>Status*:</p>	<p>The department should add or strengthen documented policies and procedures for maintaining an accurate and current inventory.</p> <p>Ongoing</p>
<p>Report # and Name:</p> <p>Audit Date:</p> <p>Audit Objective(s):</p> <p>Audit Opinion:</p> <p>Observation^:</p> <p>Recommendation:</p> <p>Status*:</p>	<p>IP 22-05 Rodeo Club</p> <p>As of October 31, 2022</p> <p>None</p> <p>None</p> <p>We noted that a club advisor, who also acts as a coach, has direct access to club monies.</p> <p><i>Observation Rating:</i> Medium</p> <p>The University should strengthen procedures to ensure sport club advisors or coaches do not have direct access to club monies.</p> <p>Completed</p>

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

* Status as of August 31, 2023

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023**

Element	Audit Details
Report # and Name:	SP 23-A Athletic Ticket Office
Audit Date:	As of January 30, 2023
Audit Objective(s):	Our audit objectives were to verify that the cash balance agreed to the University's general ledger, the area was secure, and that appropriate receipt and deposit procedures were followed.
Audit Opinion:	Based on our procedures, we found that the cash on hand agreed to the amount on the general ledger and the area was secure. However, we found that receipt and deposit procedures need to be strengthened.
Observation^:	<p>While performing the surprise cash count, we noted the following:</p> <ul style="list-style-type: none"> • Deposits are not made timely. • Sufficient documentation for deposits and ticket reconciliations was not readily available. • Graduate Research Assistant job description does not contain receipts language. • 2 of 2 (100%) employees were not current on receipts training. <p><i>Observation Rating:</i> Medium</p>
Recommendation:	The Ticket Office should strengthen procedures to ensure compliance with University regulations for receipts.
Status*:	Ongoing
Report # and Name:	Internal Project Letter January 30, 2023
Audit Date:	As of January 30, 2023
Audit Objective(s):	None
Audit Opinion:	None
Observation^:	<p>We found instances of violations of Policy 11.16, <i>Nepotism</i>, in Intercollegiate Athletics.</p> <p><i>Observation Rating:</i> High</p>
Recommendation:	Human Resources and Intercollegiate Athletics should review the instances of nepotism and take appropriate action.
Status*:	Ongoing

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

* Status as of August 31, 2023

SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBJECTIVES AND RECOMMENDATIONS
FOR FISCAL YEAR 2023

Element	Audit Details
Observation^:	During our review of hiring proposals for recent hirings in Intercollegiate Athletics, we noted that the hiring proposals were lacking some of the required documentation to support the hiring decisions. <i>Observation Rating:</i> High
Recommendation:	Intercollegiate Athletics should work with Human Resources to ensure hiring proposals support the hiring decision and University hiring practices are followed.
Status*:	Ongoing
Observation^:	During our review, we noted that the adjunct faculty appointment letter does not address employee benefits or include information for checking with Human Resources regarding benefit eligibility. <i>Observation Rating:</i> Low
Recommendation:	The Office of the Provost should work with Human Resources to ensure important benefit information is included in the adjunct faculty appointment letter.
Status*:	Ongoing

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

* Status as of August 31, 2023

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS
FOR FISCAL YEAR 2023**

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	<p>Provided guidance to strengthen department controls; Performed review of Athletic Ticket Office deposit and reconciliation processes</p> <p>Report SP 23-E Athletic Ticket Office – complete 02/13/23</p>
BOR Policy Review	Reviewed new and updated policies for BOR meetings
Cash Counts	<p>Performed surprise cash counts</p> <p>Report SP 23-A Athletic Ticket Office Cash Count – completed 01/30/23;</p> <p>Report SP 23-F Student Business Services Cash Count – in process</p>
Charter School Financial Audit	<p>Coordinated and assisted with external audit</p> <p>Report EP 23-B Charter School Financials – completed 02/06/23</p>
Ethics Point and Internal Projects	<p>Investigated allegations</p> <p>Report IP 22-05 Rodeo Club – completed 10/31/22</p> <p>IP Letter – completed 01/30/23</p>
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
NCAA Agreed Upon Procedures Review	<p>Coordinated and assisted with external review</p> <p>Report EP 23-A NCAA Agreed-Upon Procedures Review – completed 02/06/23</p>
UT System Transition	Provided assistance with transition activities
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/President	Provide leadership and expertise to auditor organization; Presided at annual education conference
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 survey; Completed new UTS risk assessment process, including IT risks
Special Projects	Performed numerous special projects Report SP 22-I University Annual Inventory – completed 10/31/22 Report SP 23-C USAS Review – in process

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 Hrcir, 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 (most recent June 2022).

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 Chair¹, and Board of Regents Finance and Audit Chair¹, and monitoring of factors such as:

- % of management action plans implemented in follow-up audits. ***For FY 2023, overall 64% of management action plans were implemented.***
- % of responses to annual risk assessment survey. ***For FY 2023 risk assessment survey, 127 out of 127 responses were received for a 100% response rate.***
- Meeting internal and external deadlines. ***Audit Services met deadlines for BOR*, external entities, and internal commitments.***
- Completing audits and special projects. ***For FY 2023, Audit Services issued 8 audit reports and worked on numerous internal and special projects.***

¹ SFA affiliated with the University of Texas System 09/01/23; management changed 07/28/23; IAC was established 09/26/23.

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

- Maintaining certifications. ***All audit staff are certified. Collectively, we hold the following certifications:***
 - ***Certified Public Accountant – 3***
 - ***Certified Internal Auditor – 3***
 - ***Certified Fraud Examiner – 2.***

2023 Goals

The CAE set the following department goals for FY 2023 to aid in compliance with standards and efficiency:

1. Adjust to changes in department structure due to transition of staff. ***Replaced two vacant positions and provided onboarding, orientation, training, and support for new staff members.***
2. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The audit plan proposed for FY 2023 included hours to expand our continuous auditing function. Due to timing of hiring new staff, this activity was placed on hold. Hours are again included in the FY 2024 audit plan.***
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 relationships with members of the Administration. ***The CAE worked with members of Administration to develop professional relationships.***
5. 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.***

2024 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 FY 2024:

1. Establish and develop procedures for the newly created IAC. ***Work with the President and IAC Chair to enhance the value of committee activities.***
2. Incorporate changes in department necessary for the affiliation with UTS. ***Work with UTS Audit Office to facilitate a smooth transition to the UTS.***

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

3. Migrate from TeamMate+ audit software to eCase. ***The audit plan includes hours for implementation and training related to new audit software.***
4. Increase continuous auditing and monitoring functions, including a reporting mechanism. ***The audit plan proposed for FY 2024 includes hours to expand our continuous auditing function. Plan to formally develop the program, including reporting.***
5. Determine and implement changes in department processes necessary to incorporate new auditing standards. ***New standards are expected in January 2024.***
6. Develop relationships as a member of the President's Cabinet. ***The CAE will seek out ways to foster professional relationships with other members of the President's Cabinet.***

VIII.

Five-Year and Fiscal Year 2024 Audit Plans

SFASU DEPARTMENT OF AUDIT SERVICES FIVE-YEAR AND FISCAL YEAR 2024 AUDIT PLANS

FIVE-YEAR AUDIT PLAN

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

Audit Projects	2024	2025	2026	2027	2028
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				
Quality Assurance Review***		X			X
Risk-Based and Other Audits	X	X	X	X	X
Safety and Security Audit (<i>triennial</i>)		X			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 FY 2024 and 2025, institutions of Higher education shall also consider audits of benefit proportional when developing their annual internal audit plans.

** Not applicable after affiliation with the University of Texas System.

*** Will coordinate the next QAR with the UTS Audit Office and their ongoing rotation.

FISCAL YEAR 2024 AUDIT PLAN

The FY 2024 Audit Plan allocable hours of 6,640 is based on staff of four (4) internal audit professionals, taking into consideration the following:

- Paid time off.
- Co-sourced staffing engagements.
- General and administrative time.

Hours do not include one (1) graduate research assistant.

SFASU DEPARTMENT OF AUDIT SERVICES FIVE-YEAR AND FISCAL YEAR 2024 AUDIT PLANS

The FY 2024 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 assurance engagements, required engagements, advisory engagements, investigations, special projects (reserve), follow-up, operations, and initiatives and education. Details are shown on the following pages.

The approval process for the FY 2024 Audit Plan was as follows:

1. Draft audit plan and risk assessments were reviewed by the UTS Audit Office on June 21, 2023.
2. Final audit plan and risk assessments were reviewed with the SFA Internal Audit Committee (IAC) Chair on July 5, 2023.
3. Final audit plan and risk assessments were reviewed with Interim President on July 6, 2023. Approval of the audit plan was received from the Interim President.
4. Final audit plan and risk assessments were submitted to the UTS Audit Office on July 7, 2023 for inclusion in the systemwide audit plan. The UTS Board of Regent Audit, Compliance, and Risk Management Committee (ACRMC) approved the systemwide audit plan for approval during the August 23-24, 2023 UTS Board of Regents meeting.
5. Final audit plan was presented to and accepted by the SFA IAC at its inaugural committee meeting held on September 26, 2023.

Any changes to the 2024 Audit Plan will be made in accordance with the Internal Audit Activity Charter.

SFASU DEPARTMENT OF AUDIT SERVICES

FISCAL YEAR 2024 AUDIT PLAN

FY 2024 Audit Plan	Budget	Percent of Total	General Objective/Description
Assurance Engagements			
Financial Aid and Scholarships	500		Gain assurance that controls and processes for financial aid exist and are operating as intended. Determine if financial aid is in compliance with applicable regulations.
General Ledger Reconciliations	450		Gain assurance that controls and processes for general ledger reconciliations exist and are operating as intended to support accurate University financial statements.
IT Asset Management	400		Gain assurance that controls and processes for the management of IT assets, including both hardware and software, exist and are operating as intended. This engagement includes compliance with applicable Texas Administrative Code §202.76 security control standards.
Carryforward - Construction Management Close-Out of Fine Arts	410		Gain assurance that controls and processes for construction management, specifically for construction close-out, exist and are operating as intended. (Co-sourced hours will be 200)
Carryforward - HEERF Student Portion	20		Gain assurance that University is in compliance with applicable HEERF Student Portion spending requirements prescribed by the HEERF grant programs.
Assurance Engagements Subtotal	1,780	26.8%	
Advisory Engagements			
Institutional Committee Meetings and Adhoc Workgroups	350		Attend campus committee meetings and other meetings with management.
Account Reconciliation Reviews	200		Assist management with the development of a University-wide plan to efficiently and effectively address UTS Policy 142.
Data Analytics/Continuous Auditing Program	500		Develop various data analytics programs and perform continuous review of high risk areas/ controls and/or areas as requested by management.
Advisory Engagements Subtotal	1,050	15.8%	
Required Engagements			
Annual Audit Report - Fiscal Year 2023	50		Report Internal Audit's activities to the Texas State Auditor as required by Texas Internal Auditing Act.
Contract Management and Procurement Assessment	40		Assess compliance with Texas Education Code §51.9337 related to State procurement requirements.
Investment Audit	240		Assess compliance with Public Funds Investment Act, GAA Rider 5, and reporting requirements as prescribed by the State Auditor's Office (SAO).
Facilities Audit	100		Perform audit in accordance with THECB guidelines.
JAMP Audit	40		Assess compliance with JAMP expenditure guidelines.
NCAA Agreed-Upon Procedures	100		Provide assistance and coordination for external auditors in the performance of the annual NCAA Agreed Upon Procedures for Fiscal Year 2023.
Charter School Financial Statement	80		Provide assistance and coordination for external auditors in the performance of the annual financial statement audit of the Charter School for Fiscal Year 2023.
External Audit Assistance	60		Provide assistance and coordination to external auditors with the SAO, Comptroller's Office, THECB, or federal agencies.

SFASU DEPARTMENT OF AUDIT SERVICES

FISCAL YEAR 2024 AUDIT PLAN

FY 2024 Audit Plan	Budget	Percent of Total	General Objective/Description
Fiscal Year 2024 Financial Statement Audit	40		Provide assistance and coordination to external auditors in the performance of the required annual financial statement for Fiscal Year 2024 (pre end of year tasks).
Carryforward - Contract Management and Procurement Audit	20		Assess compliance with Texas Education Code §51.9337 related to State procurement requirements.
Required Engagements Subtotal	770	11.6%	
Investigations			
Fraud Hotline	100		Facilitate the University anonymous reporting system until transitioned to Compliance; Participate on University's anti-fraud team.
Investigations	200		Intake and triage reports from various sources (i.e. hotline, management, SAO) and investigate as needed.
Investigations Subtotal	300	4.5%	
Reserve			
Special Projects	350		Reserve for unanticipated projects and management requests.
Reserve Subtotal	350	5.3%	
Follow-Up			
Follow-Up on Management Action Plans - Internal	250		Follow up on outstanding management action plans from internal audits.
Follow-Up on Management Action Plans - External	240		Follow up on outstanding management action plans from external audits. (Co-sourced hours will be 200)
Follow-Up Subtotal	490	7.4%	
Development - Operations			
Internal Audit Committee	320		Prepare for internal audit committee meetings; attend meetings; prepare minutes and summaries; and engage with current and prospective external members of the committee.
Staff Meetings	288		Recurring staff meetings.
Quality Assurance	200		Perform internal quality procedures and annual internal assessment, participate on assessment teams, and records management.
Risk Assessment and Fiscal Year 2025 Audit Plan	300		Perform the annual risk assessment and develop the Fiscal Year 2025 audit plan.
Development - Operations Subtotal	1,108	16.7%	
Development - Initiatives and Education			
Professional Development	288		Professional development for staff, includes CPE, non CPE, and travel time.
Professional Organizations	140		Participate in professional organizations.
Audit Software Implementation	144		Preparation and implementation of new audit management software.
UT System Audit Office Initiatives	100		Participate in UT System Audit Office initiatives (i.e. committees, workgroups, research).
Audit Services Organization	120		Review of manuals, procedures, templates, and initiatives.
Development - Initiatives and Education Subtotal	792	11.9%	
Total Budgeted Hours	6,640	100.0%	

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 Executive 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.

During the FY 2024 audit planning process, SFA was in the process of transitioning to UTS. Therefore, Audit Services used a combination of SFA and UTS risk assessment methodologies as outlined below:

- **Survey** - Audit Services, in conjunction with the Vice President for Finance and Administration (VPFA), developed a survey of risks. One hundred twenty-seven members (100% response rate) of the University community including administrators, deans, department chairs, and directors participated in the survey. 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 top ten risks were presented to the BOR Finance and Audit Committee in April 2023. In addition, sixty-one departmental questions were asked to assess departmental risks. The survey also asked respondents to identify any other risks or potentially fraudulent activities.
- **Interviews** - Meetings were held with key stakeholders to discuss risks that may affect the accomplishment of campus-wide and department-level strategic initiatives and significant objectives.
- **Risks** - Audit Services utilized UTS risk assessment tools to document our assessment of risks. All critical and high risks require either an audit or some other form of risk mitigation.

The Annual Audit Plan allocates resources for required audits and audits identified during the risk assessment process. High-risk areas identified by Audit Services that are not covered in the FY 2024 Audit Plan include compliance, some information technology areas, strategic initiatives, and UTS transition.

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, 2022.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2022.
Belt Harris Pechacek, LLLP	Perform agreed-upon procedures engagement pursuant to the University, U.S. Department of Education's Program Liquidation Requirements, which include Title 34 Code of Federal Regulations, Section 68.26; the procedures contained in the Federal Perkins Loan Program Assignment and Liquidation Guide; and procedures in the 2 CFR Part 200, Appendix XI, Compliance Supplement, CFDA 84.038 Federal Perkins Loan Program.

XI.

Reporting Suspected Fraud and Abuse

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 Procedure 01-403, *Dishonest or Fraudulent Activities*, includes the website and phone number to report fraud to the State Auditor's Office. The procedure may be found at <https://www.sfasu.edu/docs/hops/01-403.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:



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

SFASU DEPARTMENT OF AUDIT SERVICES REPORTING SUSPECTED FRAUD AND ABUSE

- 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.

Internal Audit Committee Charter

AUTHORITY

The University of Texas (UT) System Policy UTS 129, *Internal Audit Activities*, authorizes the establishment of an Audit Committee. Each institution will organize and maintain an Audit Committee.

PURPOSE

The Stephen F. Austin State University (SFASU) Internal Audit Committee (IAC) is an essential part of the risk management and internal control infrastructure of SFASU and the UT System. Its primary responsibilities are to assist and advise the UT System Audit, Compliance, and Risk Management Committee (ACRMC) and SFASU's President in the following matters:

- Oversight and direction of the internal audit function to ensure alignment of activities with areas of high risk and/or high potential for adding organizational value;
- Oversight of management activities and processes put in place to manage business and financial risk to SFASU's mission(s) and objectives;
- Oversight of any external audit firms and review of their results; and
- Evaluation of risks identified by management or through audit, advising management and elevating reporting of risk management and audit activities to the UT System (through internal audit or direct processes), including the ACRMC.

ROLES

Membership of the IAC is made up of members who are external to the University in addition to key members of SFASU's management team.

The Chairman of the IAC will be nominated by the president and approved by the chair of the ACRMC. The IAC is functionally responsible to the ACRMC and assists the ACRMC in discharging its oversight duties for the UT System. This is accomplished as the IAC carries-out its responsibilities, as defined in this charter. The IAC chairman has direct access to the ACRMC chairman; however, most of the reporting and coordination of information is administratively facilitated through the Chief Audit Executive of the UT System.

At least three IAC members must be external to the University and the IAC Chair must be one of the external members. The external members will serve three-year terms with the eligibility to be appointed to one additional three-year term. Members of management may be IAC members or invited guests and should include the President.

Generally, the external IAC members must be independent and objective, have management or governance leadership experience and possess skills which will complement the profile of skill to be held by an audit committee. Such skills include but are not limited to financial and technology acumen, academic and healthcare industry awareness, and basic risk and control understanding. Internal Audit and Management can aid members in seeking material and education to maintain current and adequate member skill. All members of the IAC should attend orientation which is provided by the institutional CAE.

MEETINGS

The IAC meets quarterly, with the authority to convene additional meetings as necessary. The meetings should provide for direct communication between the Chief Audit Executive, members, and SFASU's President. Evidence of actions taken by the IAC should be reflected in recorded minutes. A majority of members constitute a quorum and attendance should be recorded in the minutes.

RESPONSIBILITIES

The IAC's specific responsibilities in carrying out its oversight and reporting roles are delineated below.

GENERAL	Quarter Due
Meet at least four times per year (more frequently as circumstances require or at the request of the IAC Chairman or President)	1,2,3,4
Have meeting agenda prepared by Chief Audit Executive in consultation with the IAC Chairman	1,2,3,4
Have approved minutes of meetings maintained by Chief Audit Executive	1,2,3,4
Review the IAC Charter and assess performance of the responsibilities delineated in that charter	2
Perform such other functions as assigned by the ACRMC of the UT System Board of Regents	As Needed
The IAC will meet in private executive session as necessary to assess the performance of the internal audit function	As Needed

OVERSIGHT OF BUSINESS, TECHNOLOGY AND FINANCIAL RISK MANAGEMENT	Quarter Due
Determine that institution management demonstrates responsibility for identifying and managing business risks; evidenced by clear understanding of these risks and effective response. Business risk responses include but are not limited to formal objectives, oversight mechanisms (metrics, reporting,	On-going

policies & procedures) and established business functions with capable people, adequate process and sufficient technology.

Review key reports demonstrating the integrity of the institution's financial statements such as: On-going

- Certifications by the President and Financial Reporting Officer
- Internal audits of financial information and internal controls
- External financial audit results
- Report of management processes and tools for assessment and management of fraud

OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY	Quarter Due
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Approve an Internal Audit Activity Charter that is consistent with the Texas Internal Auditing Act and Standards of the Professional Practice of Internal Auditing	1
Review the Internal Audit Activity Charter to ensure it encompasses any required revisions periodically	Periodically
Review the risk assessment methodology for capturing applicable business and financial risks for development of the Internal Audit Annual Audit Plan	3 As Needed
Review the Annual Audit Plan to ensure appropriate coverage for risks identified in the risk assessment, including coverage of significant financial and information systems	3 As Needed
Approve the Annual Audit Plan and all changes thereto	3 As Needed
Review quarterly the status of completion of the Annual Audit Plan	1,2,3,4
Receive the results of all completed internal audit engagements	1,2,3,4
Receive reports of confidential internal reporting (hotline activity) related to internal controls, financial management, internal auditing, or external auditing	As Needed
Review all priority findings and management action plans to address the related recommendations made	1,2,3,4
Monitor the status of management action plans for recommendations to priority findings	1,2,3,4
Approve utilization of internal audit resources outside the Annual Audit Plan	As Needed
Review staffing and organization of the internal audit activity for appropriateness in relation to the institution and its identified risks and make recommendations to the President if necessary	2
Request an annual self-assessment by the internal audit function and review the results	2
Ensure that an external quality assessment is performed at least once every three years and review the results	Triennial
Provide input to the President and/or UT System Chief Audit Executive, as applicable, for the annual evaluation of the Chief Audit Executive	As Needed

Provide input to the President and UT System Chief Audit Executive on the hiring and dismissal of the Chief Audit Executive	As Needed
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OVERSIGHT OF EXTERNAL FIRMS

Quarter Due

Review any external audit firm contractual arrangements with the institution to confirm management compliance with the requirements of Regents' Rule 20402 Provision of Audit and non-Audit Services by External Firms and the operating rules of the ACRMC of the UT System Board of Regents	As Needed
Review the reports of any external audit firms contracted by the institution to perform financial, reporting, accounting, or internal audit	As Needed
Receive reports from Internal Audit and Management regarding the State Auditor's Office audit activities	As Needed

UT SYSTEM COORDINATION

Quarter Due

Develop open communication among the IAC Chairman, the UTS Audit Office, and the ACRMC to create collaborative approach for business and financial risk management for the UT System as a whole	On-going
IAC Chairman attends orientation or meetings, as requested by ACRMC members.	As Needed
Review reports providing the following to the UTS Audit Office for use by the ACRMC in discharging its oversight duties for the UT System: <ul style="list-style-type: none"> • Annual Audit Plan and changes thereto • Status of the Annual Audit Plan and completed engagements • Report of internal confidentially disclosed (hotline) activity related to internal controls, financial management, internal auditing, or external auditing • Priority recommendations • Status of priority recommendations • Contracts with external public accounting firms for financial related activity • Other matters as requested by the ACRMC Committee 	On-going

The responsibilities outlined above will be updated periodically by the IAC to reflect changes in UT System guidance, regulatory requirements, authoritative guidance or best practices in business, technology and financial risk management.

APPROVAL

The Internal Audit Committee Charter was approved on September 26, 2023 by the SFASU Internal Audit Committee.

CHARTER HISTORY

Effective: September 26, 2023

XIII.

Internal Audit Activity Charter

INTRODUCTION

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Stephen F. Austin State University (SFASU). The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Internal audit assists SFASU in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

ROLE

The internal audit activity is established by the Texas Internal Auditing Act and The University of Texas (UT) System Board of Regents. The UT System Board of Regents' Audit, Compliance, and Risk Management Committee (ACRMC) and the SFASU Internal Audit Committee (IAC) provide oversight responsibilities. In that role, internal audit works to be a trusted advisor to management in the areas of governance, risk management and internal controls.

PROFESSIONALISM

The internal audit activity 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 Auditing*, The *Code of Ethics*, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the *Definition of Internal Auditing*, as well as *Generally Accepted Governmental 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*, *Supplemental Guidance* (Practice Guides), and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to SFASU relevant policies and procedures and the internal audit activity's standard operating procedures manual.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of SFASU records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the IAC and ACRMC.

ORGANIZATION

Internal audit is a vital part of SFASU and functions in accordance with the policies established by the President, UT System Administration, and the UT System Board of Regents. To provide for the independence of the internal auditing activity, the Chief Audit Executive (CAE) reports functionally to the institutional audit committee. The CAE reports administratively to SFASU's President and has an indirect reporting relationship to the UT System CAE.

The CAE will communicate and interact directly with the IAC, including executive sessions and between committee meetings, as appropriate. Responsibilities of the IAC are outlined in its charter.

INDEPENDENCE AND OBJECTIVITY

The internal audit activity will remain free from interference by any element in the organization, 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's 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 UT System CAE, at least annually, the organizational independence of the internal audit activity and its staff members. The UT System CAE reports this to the ACRMC.

RESPONSIBILITIES

The scope of internal auditing encompasses, but is not limited to, providing assurance to management by examining and evaluating of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

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

plan to the President and IAC for review and approval on an annual basis. UT System provides guidance and feedback on the annual audit plans, and the UT System Board of Regents approves the System-wide annual audit plan.

- Developing relationships throughout the organization to become a trusted advisor to management on risk management 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 organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- 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.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit, as applicable.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization. Such services include management requests, participation on institutional committees, and participation on implementation teams for information technology projects and business process improvements.
- Evaluating specific operations at the request of the IAC or management, as appropriate.
- Conducting investigations of significant suspected fraudulent activities in accordance with UTS 118, *Dishonest or Fraudulent Activities*.
- Assisting with the anti-fraud program of the institution.
- Facilitating risk assessment processes with management.
- Serve as liaison and coordinating the efforts of external auditors.

INTERNAL AUDIT PLAN

At least annually, the CAE will submit to the IAC 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 CAE will communicate the impact of any resource limitations or significant interim changes to the IAC.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the IAC. The CAE will review and adjust the plan, as necessary, in response to changes in the internal audit resource levels or the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the internal audit plan will be communicated to and approved by the IAC through periodic activity reports.

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 IAC.

Communication of the engagement results may vary in form and content depending upon the nature of the engagement and the needs of the client. 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 a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on management's action plans to address engagement findings and recommendations and reporting the results to appropriate management members and IAC. All significant findings will remain as open issues until reviewed and cleared by internal audit.

Internal audit 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 IAC on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and IAC.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit activity 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*. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The CAE will communicate to the institutional audit committee on the internal audit activity's 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
- UT Board of Regents Rule 20401, *Audit and Compliance Programs*
- UT System Policy 129, *Internal Audit Activities*
- UT System Policy 118, *Dishonest or Fraudulent Activities*

APPROVAL

The Internal Audit Activity Charter was approved on September 26, 2023 by the SFASU Internal Audit Committee.