STEPHEN F. AUSTIN STATE UNIVERSITY
NACOGDOCHES, TEXAS

Internal Audit Annual Report
Fiscal Year 2026

Audit Report 27-200



Department of Audit Services
www.sfasu.edu/audit

October 19, 2026

Mr. Thomas Mason
Chairman, SFASU Internal Audit Committee
7619 Marquette St.
Dallas, Texas 75225-4412

Dr. Neal Weaver
President
1936 North Street, Austin Building, Suite 309
Nacogdoches, Texas 75962

Dear Mr. Mason and Dr. Weaver:

I am pleased to submit the annual report of the Department of Audit Services (Audit Services) for fiscal year 2026. This report fulfills the requirements of the Texas Internal Auditing Act (Act), Texas Government Code (TGC), Section 2102.009, *Annual Report*. In accordance with the Act, this report will be submitted to the Office of the Governor, the Legislative Budget Board, and the State Auditor's Office (SAO) no later than November 1, 2026. The report was prepared using the guidelines provided by the SAO.

The purpose of this report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual report assists oversight agencies in their planning and coordination efforts.

During fiscal year 2026, we issued 13 risk-based, required, advisory, or investigation-related reports. The work of Audit Services has enhanced university operations and provided value to management with recommendations relating to governance, risk management, and control processes at Stephen F. Austin State University (University, SFASU, or SFA).

For further information about this report or any project mentioned in the report, please contact me.

Respectfully submitted,



Jane Ann Bridges, CPA, CIA, CFE
Chief Audit Executive

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Section I. Compliance with Posting Requirements

Requirement: Compliance with TGC, Section 2102.015*, Publication of Audit Plan and Annual Report on Internet*. Include a brief explanation of the procedures followed to post the internal audit annual report and audit plan on the agency's website.

TGC 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.

As required by TGC 2102.015 (b), Audit Services posts annual reports and the approved fiscal year audit plans on its website at https://www.sfasu.edu/audit/. This report will be posted to the website no later than November 1, 2026.

To further meet TGC 2012.015 requirements, audit reports are posted at https://www.utsystem.edu/documents/audit-reports-institution. Audit results are included in each issued audit report, which are provided to the State Auditor's Office. Also, a summary table of observations identified from fiscal year 2026 engagements, the actions taken or planned to be taken by management, and the current implementation status is included as Appendix A in this report.

Section II. Internal Audit Plan for Fiscal Year 2026

Requirement:

- Include a list of audits planned for the prior fiscal year, and for each audit completed provide report numbers, dates, and titles.
- If an audit was not completed or is ongoing as a carry-over project, include the current status of the audit.
- Include a brief explanation for any deviations from the audit plan.

Note: For higher education institutions, report the findings for the higher education institution assessment required by Texas Education Code (TEC), Section 51.9337(h), in this section or in a separate report to the SAO.

The following table details Audit Services' progress on the fiscal year 2026 audit plan and includes the required information.

Report or Engagement #	Engagement/Project Name	Status
Assurance Engagements		
25-100	Privileged Access Management Audit as of January 31, 2025 (Carryforward from FY2025)	Report Released 12/16/25
25-101	Financial Aid and Scholarships Audit as of January 31, 2025 (Carryforward from FY2025)	Report Released 12/16/25
26-100	Business Continuity Plan Audit as of May 31, 2026	Report Released 10/15/26
26-101	Change Management – College of Liberal & Applied Arts Audit as of November 30, 2025	Report Released 03/24/26
26-102	Contract Administration Audit as of December 31, 2025	Report Released 06/10/26
26-104	Executive Travel and Entertainment Audit as of June 30, 2026	In Process
26-105	Research Grants Audit as of May 31, 2026	In Process
26-106	Scholarship Administration Audit as of December 31, 2025	Report Released 06/10/26
26-107	UTS 142 Monitoring Plan Audit as of June 30, 2026	Report Released 10/15/26
26-108	Change Management – College of Fine Arts Audit as of November 30, 2025	Report Released 03/24/26
Required and Follow-Up Engagements		
26-200	Annual Audit Report as of August 31, 2025	Report Released 10/13/25
26-201	Contract Management Assessment (TEC 51.9337) as of April 30, 2026	Report Released 06/10/26
26-202	NCAA Agreed-Upon Procedures (assistance to external auditors)	Report Released by External Firm 01/15/26
26-203	Charter School Financial Statements (assistance to external auditors)	Report Released by External Firm 01/21/26
26-204	External Audit Assistance	Ongoing; No report
26-205	Financial Statement Audit (assistance to external auditors)	Ongoing; No Report

Report or Engagement #	Engagement/Project Name	Status
26-600	Follow-Up on Management Action Plans – Internal	Ongoing; No report
Advisory Engagements (See Section III for additional information)		
26-300	Institutional Committee Meetings and Ad Hoc Workgroups	Ongoing; No report
26-301	Data Analytics/Continuous Auditing Program	Ongoing; No report
26-302	Responding to Institutional Requests for Information and Advice	Ongoing; No report
26-303	Academic Affairs - Registrar Office Processes	In Process
26-306	Residence Life Processes	Report to Management 09/07/26
Investigations		
IP 26-01	Internal Controls for Organization Hierarchy	Report Released 12/16/25
IP 26-03	Employee Travel	Report Released 12/16/25
Development Projects (Operations, Initiatives, and Education)		
26-700	SFA Meetings and Events	Ongoing; No report
26-701	Staff Meetings	Ongoing; No report
26-702	Internal Audit Committee	Ongoing; No report
26-703	UT System Meetings	Ongoing; No report
26-704	Technical Support	Ongoing; No report
26-705	Quality Assurance and Improvement Plan	Ongoing; No Report
26-706	Management and Leadership of the Department	Ongoing; No report
26-707	Responding to External Requests for Information	Ongoing; No report

Report or Engagement #	Engagement/Project Name	Status
26-708	Risk Assessment and Fiscal Year 2027 Audit Plan	Completed; Reported to Audit Committee 06/09/26
26-800	Professional Development	Ongoing; No report
26-801	Certifications	Ongoing; No report
26-802	Professional Associations	Ongoing; No report
26-803	SFA Audit Strategic Initiatives	Ongoing; No report

Deviations from the Fiscal Year 2026 Audit Plan

Audit Services completed its fiscal year 2026 audit plan except for the deviations noted below.

Report or Engagement #	Engagement/Project Name	Action
26-103	Data Governance Assessment	Delayed to FY27
26-304	Resources Utilization	Removed
26-305	Enrollment Process- Phase 2	Removed

Texas Education Code, Section 51.9337(h)

Senate Bill 20 (84th Legislative Session) made several modifications and additions to TGC and TEC related to purchasing and contracting. Effective September 1, 2015, TEC 51.9337(h) requires that "The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor."

The most recent assessment was completed as of April 30, 2026 and the report (#26-201) was issued on June 10, 2026. Audit Services gained assurance that SFA was generally in compliance with adopting the rules and policies required by TEC 51.9337. The report can be accessed at https://www.utsystem.edu/documents/audit-reports-institution.

Section III. Consulting Services and Other Activities

Requirement:

- Include a list of consulting services, as defined in Texas Government Code, Chapter 2102, that were completed during the fiscal year, as well as other activities performed by the internal audit function.

- Include report numbers, dates, and titles, as well as the high-level objective(s) and a summary of observations, results, and recommendations for each project, as applicable.

TGC 2102.003 - Definitions

(4) "Consulting services" means advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve an organization's operations. Consulting services include counsel, advice, facilitation, and training.

The following table reflects the list of advisory services completed in fiscal year 2026. Any recommendations from these activities are included on the list in Appendix A.

Engagement or Activity	Objective or Impact
26-306 Residence Life	The objective was to assist management in identifying areas for improvement relating to Residence Life processes, including, but not limited to, ensuring accurate and reliable data in the University's Residence Life software, StarRez.

Other consulting services included the following during fiscal year 2026:

Engagement or Activity	Objective or Impact
26-300 Institutional Committee Meetings and Ad hoc Workgroups – Handbook of Operating Procedures Committee (HOP)	Participated on the HOP committee; HOP reviews University policies and operating procedures.
26-300 Institutional Committee Meetings and Ad hoc Workgroups – Executive Compliance Committee (ECC)	Participated on the ECC as an advisory member; ECC's primary function is to direct policy and instill the importance of compliance in the University community.
25-300 Institutional Committee Meetings and Ad hoc Workgroups – Student Admissions and Billing Fraud	Lead workgroup with primary objective to move from handling individual fraud incidents on a case-by-case basis to developing a documented, institution-wide fraud risk assessment, process inventory, control framework, and remediation plan.
26-301 Data Analytics/Continuous Auditing Program	Developed various data analytics programs and perform continuous review of high-risk areas/ controls and/or areas as requested by management.
26-202 NCAA Agreed-Upon Procedures (assistance to external auditors)	Provided assistance and coordination for external auditors in the performance of the annual NCAA Agreed Upon Procedures for Fiscal Year 2025.
26-203 Charter School Financial Statements (assistance to external auditors)	Provided assistance and coordination for external auditors in the performance of the annual financial statement audit of the Charter School for Fiscal Year 2025.
26-204 External Audit Assistance	Provided assistance and coordination to external auditors with the SAO, Comptroller's Office, and Texas Higher Education Coordinating Board (THECB).

Engagement or Activity	Objective or Impact
26-205 Financial Statement Audit	Provided assistance and coordination to external auditors in the performance of the required annual financial statement.
26-401 Investigations	Triaged reports from various sources (i.e. hotline, management, SAO) and performed investigations where necessary.
26-302 Responding to Institutional Requests for Information and Advice	Provided guidance to strengthen department controls as requested by management.
26-703 UT System Meetings – Participated in a number of roundtables and meetings at UT System (e.g., IT Roundtable, Data Analytics Roundtable)	Collaboration on systemwide internal audit efforts.
26-802 Professional Associations – Served the Association of College & University Auditors (ACUA) as a committee member on the Sideline (Athletics) Committee	Contributed to the internal audit profession and strengthened knowledge base.
26-802 Professional Associations – Served the Texas Association of College & University Auditors (TACUA) as a board member and/or committee member	Contributed to the internal audit profession and strengthened knowledge base.

Section IV. External Audit Services Procured or Ongoing

Requirement: Include a list of all external audit services that were either procured or ongoing during the fiscal year. Examples of these services may include, but are not limited to, financial and performance audits and attestation engagements, such as a review or an agreed-upon procedures engagement.

The following table reflects external services that were procured or ongoing during fiscal year 2026.

Service	Frequency	External Auditors	Audit Required By
NCAA Agreed-upon Procedures	Annual	Goff & Herrington	NCAA Bylaws 20.2.4.17
Charter School Financials	Annual	Goff & Herrington	Texas Administrative Code, Title 19 Education, Part 2 Texas Education Agency, Chapter 100 Charters, Subchapter AA Commissioner's Rules Concerning Open-Enrollment Charter Schools, Division 3 Charter School Funding and Financial Operations, Rule 100.1047 Accounting for State and Federal Funds, (c) Annual Audit

Section V. External Quality Assurance Review (Peer Review)

Requirement: Include a copy of the executive summary or a summary of issues from the most recent external quality assurance review or peer review report.

The most recent external quality assurance review was conducted during April and May 2022 by the Chief Auditor of the Texas A&M University System. The report was released on August 3, 2022. A copy of the report is included as Appendix B.

Note: During the year ended August 31, 2023, the SFASU Board of Regents voted to affiliate with The University of Texas System. The 88th Texas Legislature passed enabling legislation, which was signed into law by the Governor of Texas in May 2023. On September 1, 2023, the University was reestablished in statute as Stephen F. Austin State University, a member of the UT System. As of September 1, 2023, SFASU's Board of Regents was dissolved, and SFASU became subject to the authority of the UT System Board of Regents.

We are currently undergoing an external quality assurance review, with the report expected by December 2026.

Section VI. Internal Audit Plan for Fiscal Year 2027

Requirement:

- Include the approved audit plan.
  - If the plan is pending approval from the governing board or chief executive and is not submitted with the annual report, specify the date the plan will be submitted.
  - If the audit plan is modified during the fiscal year, submit a copy of the revised plan to the oversight agencies.
- Include the budgeted hours for all projects.
- Include a list of additional risks ranked as "high" that were identified but are not included in the audit plan.
- Include a brief description of the risk assessment or methodology used to develop the audit plan, including consideration, if any of:
  - The applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).
  - Benefits proportionality.
  - Methods for ensuring compliance with contract processes and controls and for monitoring agency contracts, as required by Texas Government Code 2102.005(b).

Note: For higher education institutions, Rider 8, page III-60, the General Appropriations Act (89th Legislature), requires each higher education institution to consider audits of benefits proportionality when developing their annual internal audit plans for fiscal years 2026 and 2027.

Fiscal Year 2027 Audit Plan Overview

The fiscal year 2027 audit plan reflects details for audits and other activities that Audit Services plans to perform during the fiscal year. The plan was approved by the Internal Audit Committee on June 9, 2026. Any changes to the fiscal year 2027 audit plan will be made in accordance with the Internal Audit Activity Charter.

Total plan hours of 6,840 is based on a staff of four (4) internal audit professionals, taking into consideration the following:

- Co-sourced staffing engagements.
- Paid Time Off.
- General and administrative time.

The audit plan is divided into these categories, and details are shown in the following table:

- Assurance engagements.
- Advisory engagements.
- Required engagements.
- Investigations.
- Special projects (reserve).
- Follow-up.
- Development - Operations.
- Development - Initiatives and Education.

Detailed Audit Plan

Engagement	Budget	General Objective/Description
Assurance Engagements		
Carryforward - Data Governance	120	Assess data governance and data strategy. Meets TAC §202.76 requirement.
Carryforward - Executive Travel & Entertainment	100	Gain assurance that travel and entertainment activities and expenditures are conducted in accordance with UT System and University policy.
Artificial Intelligence	240	Evaluate the design, implementation, and effectiveness of governance structures, risk management practices, and internal controls related to the use of Artificial Intelligence (AI) technologies. Assess compliance with Texas Administrative Code §219.11.
Allied Health Clinic Operations	320	Gain assurance that clinic operations are in compliance with HIPAA regulations. Determine if instances of non-compliance identified in the external consulting engagement report have been appropriately resolved.
Change Management - Aviation	100	Identify gaps, risks, and areas of non-compliance with university policies and procedures in departments with new leadership.
Change Management - Construction Management	100	Identify gaps, risks, and areas of non-compliance with university policies and procedures in departments with new leadership.
Change Management - DESE Administration	100	Identify gaps, risks, and areas of non-compliance with university policies and procedures in departments with new leadership.
Controlled Assets	240	Gain assurance that controls and processes to protect controlled assets are operating as intended. Determine if policies comply with state regulations.
Employee Off-Boarding	360	Evaluate the effectiveness of processes related to the off-boarding of terminated and transferred employees,

Engagement	Budget	General Objective/Description
		including but not limited to, separation documentation, system access, and physical access.
UTS 142 Fiscal Year 2026	120	Gain assurance that controls and processes for the monitoring plan required under UTS 142 are operating as intended. Determine if segregation of duties is appropriate.
Research Security	360	Gain assurance that controls and processes related to export control laws and regulations are compliant. In addition, determine if lab safety protocols are in place and operating as intended.
Advisory Engagements		
Carryforward - Academic Affairs (Registrar)	160	Hours reserved for assisting new academic affairs leadership.
Participation on University Committees/Ad-hoc Workgroups	80	Participation on various committees or ad hoc workgroups
Data Analytics/Continuous Auditing Program	600	Develop various data analytics programs and perform continuous review of high risk areas/ controls and/or areas as requested by management.
Responding to Institutional Requests for Information and Advice	80	Hours reserved for responding to requests and inquiries from the campus community.
Athletics - Revenue Share	240	Evaluate the design and effectiveness of financial, compliance, and operational controls over the calculation, authorization, and distribution of funds to student-athletes.
Compliance Function	120	Evaluate the design and operating effectiveness of the institution's compliance function in alignment with best practices.
Digital Accessibility	200	Assess the university's digital environment for compliance with accessibility requirements (e.g., WCAG 2.1) and evaluate the effectiveness of current governance.
SAIR - Policy & Procedure Review	80	Evaluate the completeness and alignment of SAIR's policies and procedures with university standards and regulatory requirements for newly integrated functions.
Required Engagements		
Contract Management Assessment	40	Assess compliance with Texas Education Code §51.9337 related to State procurement requirements.
NCAA Agreed-Upon Procedures	80	Provide assistance and coordination for external auditors in the performance of the annual NCAA Agreed Upon Procedures for Fiscal Year 2026.
Charter School Financial Statement	40	Provide assistance and coordination for external auditors in the performance of the annual financial statement audit of the Charter School for Fiscal Year 2026.

Engagement	Budget	General Objective/Description
External Audit Assistance	80	Provide assistance and coordination to external auditors with the SAO, Comptroller's Office, THECB, or federal agencies.
Financial Statement Audit	15	Provide assistance and coordination to external auditors in the performance of the required annual financial statement.
Investigations		
Investigations	200	Triage reports from various sources (i.e. hotline, management, SAO) and investigate as needed.
Reserve		
Special Projects/Emerging Risks	342	Reserve for unanticipated projects and management requests.
Follow-Up		
Follow-Up on Management Action Plans	240	Follow up on outstanding management action plans.
IT Asset Management Follow-Up	120	Follow up on outstanding management action plan related to IT Asset Management. Meets TAC §202.76 requirement.
Development - Operations		
Annual Audit Report - Fiscal Year 2026	40	Report Internal Audit's activities to the Texas State Auditor as required by Texas Internal Auditing Act.
SFA Meetings and Events	75	Attendance at SFA meetings and other events for informational and operational purposes (i.e., semester welcome, service awards, receptions.)
Staff Meetings	240	Recurring staff meetings.
Internal Audit Committee	180	Prepare for internal audit committee meetings; attend meetings; prepare minutes and summaries; and engage with current and prospective external members of the committee.
UT System Meetings	100	UT System Audit Office meetings, including CAE, IAC (non-CPE related), eCase Champion, IT auditors, other meetings not specific to System initiatives.
Technical Support	40	Troubleshooting IT and other workforce issues, including audit software/tools. Reserved for CAE & Assistant CAE.
Quality Assurance and Improvement Plan	300	Perform internal quality procedures and annual internal assessment, Standards gap analysis, participate on assessment teams, updating audit procedures, records management, etc. Required by Standards.
Management and Leadership of the Department	240	Includes hiring, development, budgeting, performance appraisals, administrative duties, leadership, promoting the internal audit department, executive meetings, and all other

Engagement	Budget	General Objective/Description
		responsibilities of the CAE/Asst CAE that are not directly attributable to a specific audit project.
Responding to External Requests for Information	20	Requests for reporting from UT System, the SAO, and other external agencies.
Risk Assessment and Fiscal Year 2028 Audit Plan	200	Perform the annual risk assessment and develop the Fiscal Year 2028 audit plan.
Development - Initiatives and Education		
Professional Development	288	Professional development for staff, includes CPE, non-CPE, and travel time.
Certifications	60	Time spent on certification study and testing per SFA Audit Manual guidance.
Participation in Professional Organizations	100	Participate in professional organizations (boards, committees).
SFA Audit Strategic Initiatives	80	Development of strategic initiatives in Internal Audit.
Total Budgeted Hours	**6,840**	

High-Risk Areas Not Covered in Audit Plan

Critical and high-risk areas identified by Audit Services but not included in the fiscal year 2027 audit plan are related to the following:

- Development and External Relations.
- Enterprise Activities.
- Finance.
- Human Resources.
- Information Technology.
- Instruction.
- Research.
- Risk Management and Compliance.
- Student Services and Enrollment Management.

While related engagements are not currently part of the fiscal year 2027 audit plan, there are risk mitigating factors such as:

- Audit coverage in prior two fiscal years.
- Risk management function activity.
- Executive management support and/or review.
- Follow-up procedures on audit observations.

Risk Assessment Methodology

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.

During the fiscal year 2027 audit planning process, Audit Services used the risk assessment methodologies as outlined below:

- **Research -** Researched emerging risks and industry-specific risks for applicability to the University. In addition, reviewed past risk assessments, including those from other UT institutions. Other resources for this evaluation include past audits (internal and external), collective audit experience, guidance from the UT System, and discussions of risks with the Internal Audit Committee.
- **Survey of Risks -** Collaborated with the Compliance Coordinating Committee (CCC) to develop 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-eight identified risks as high, medium, or low. In addition, fifty-nine departmental questions were asked to assess departmental risks. The survey also asked respondents to identify any other risks or potentially fraudulent activities. The top ten risks were presented to the Internal Audit Committee in June 2026.
- **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.
- **Inventory of Risks -** Standardized UT System tools were employed to document the assessment of risks. Risks were scored based on factors of probability and impact. All critical and high risks require either an audit or some other form of risk mitigation.

> **Probability:** The likelihood that a risk will occur (harming a business objective) due to inadequacy in internal control systems (management, operations, or process); and/or the likelihood that an external threat (regulatory, financial, or market) or systemic issue will cause the risk to occur.
>
> **Impact:** The extent to which a risk (if realized) would impact the organization, considering the importance of the business objective harmed and the nature and volume of the harm that will be done.

Texas Administrative Code, Chapter 202 (Information Security Standards)

Information technology infrastructure and information security risks are considered during the risk assessment. As a result, a data governance assurance engagement was included in the fiscal year 2027 audit plan.

Benefits Proportionality Audit Requirements

As required by Rider 8, page III-60, of the General Appropriations Act (89th Legislature, Conference Committee Report) Audit Services considered the risk that benefits were not paid proportionate to the source of funding, which could result in excess reimbursement from State appropriated funds. Based on the risk assessment and previous audit results, an engagement specific to benefit proportionality was not included in the plan.

Texas Government Code, Section 2102.005(b)

The Act requires internal auditors to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts while conducting audits. Risks for contract processes and controls were considered during the risk assessment. As a result, a contract administration assurance engagement was included in the fiscal year 2027 audit plan.

Section VII. Reporting Suspected Fraud and Abuse

Requirement:

- Include a brief description of the entity's actions taken to comply with the fraud reporting requirement of Section 7.09, Page IX-41, the General Appropriations Act (89th Legislature).
- Include a brief description of the entity's process to comply with the investigation coordination requirements of Texas Government Code, Section 321.022.

Note: Examples could include (1) information provided on the entity's website that indicates how to report suspected fraud, waste, or abuse involving state resources directly to the SAO and (2) a brief description of the entity's procedures for reporting suspected fraud, waste or abuse involving state funds to the SAO.

General Appropriations Act, Sec. 7.09, Page IX-41 - Fraud Reporting

A state agency or institution of higher education appropriated monies by this Act shall use appropriated monies to assist with the detection and reporting of fraud involving state monies by:

(1) providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and

(2) including in the agency or institution's policies information on how to report suspected fraud involving state monies to the State Auditor's Office.

TGC 321.022 - Coordination of Investigations

(a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.

(b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.

(c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

Fraud Reporting

Actions taken by the University to comply with the General Appropriations Act, Section 7.09, Page IX-41, are as follows:

- SFA provides a link for reporting fraud on the SFASU website homepage at https://www.sfasu.edu. This link provides information on how to report suspected fraud, including the SAO hotline number.
- SFA HOP Policy 01-403, *Dishonest or Fraudulent Activities*, includes the website and phone number to report fraud to the State Auditor's Office. The policy may be found at https://www.sfasu.edu/docs/hops/01-403.pdf.
- SFA distributes fraud posters that include the website and phone number to report fraud to the State Auditor's Office. A copy of the poster is included as Appendix C.

Coordination of Investigations

Actions taken by the University to comply with TGC 321.022 are summarized below.

- The Chief Audit Executive, General Counsel, and/or the Chief Compliance Officer lead investigations based on reports.
- The Chief Audit Executive coordinates investigations with the SAO when necessary. SFA complies with this in conjunction with the UTS Policy UTS 118, *Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities,* located at https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulent-activities.

Appendix A. Fiscal Year 2027 Observations and Action Plans

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
25-100 Privileged Access Management Audit as of January 31, 2025 (Carryforward from FY2025) Report Released 12/16/25		
The objective of the audit was to gain assurance that controls and processes for privileged access exist, are operating as intended, and that the University is in compliance with applicable DIR Security Control Standards. The report contains confidential information as specified in Texas Government Code Section 552.139 and is not subject to the disclosure requirements of the Texas Public Information Act.		Ongoing
25-101 Financial Aid and Scholarships Audit as of January 31, 2025 Report Released 12/16/25		
University Policy 01-401, *Compliance*, states, "The department head of each operating unit within the university is responsible and shall be held accountable for compliance and compliance-related activities in their respective units. The department head shall maintain documented procedures and records for their activities and areas of responsibility." ITS Policy Handbook 14.1.1, *Account Management and Control*, states, "Use of shared accounts is not allowed. However, in some situations, a provision to support the functionality of a process, system, device (such as servers, switches or routers) or application may be made (e.g., management of file shares). Such exceptions will require documentation which justifies the need for a shared account; a copy of the documentation will be shared with IT. Each shared account must have a designated owner who is responsible for the management of access to that account. The owner is also responsible for the above-mentioned documentation, which should include a list of individuals who have access to the shared account. The documentation must be available upon request for an audit or a security assessment." **Observation:** During our review, we noted the following During our review, we noted that the policies and procedures manual for the financial aid department includes outdated information. In	**Recommendation:** Management should review policies and procedures for outdated information that is no longer applicable and ensure proper security of department credentials. **Management Response:** Management will do a full review of policies and procedures and update any outdated information, including all information related to securing financial aid departmental credentials.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
addition, we noted an improper disclosure of department credentials. ***Observation Rating*:** Medium		
According to the Federal Student Aid Handbook, Volume 8 Chapter 4, *Annual and Aggregate Loan Limits*, states "Direct Subsidized Loans and Direct Unsubsidized Loans have annual loan limits that vary based upon the student's grade level and (for Direct Unsubsidized Loans) dependency status. The annual loan limits are the maximum amounts that a student may receive for an academic year." It also states that, "There are also limits on a student's maximum outstanding total Direct Subsidized Loan and Direct Unsubsidized Loan debt. These are called aggregate loan limits." **Observation:** During our review, we noted that financial aid receives notification from the Department of Education (DOE) when a student is nearing or is over their loan limits. This notification triggers a loan limit review hold on the student's account. This prevents financial aid awarding. Financial Aid staff can override this hold without a secondary review process or any other safeguards. ***Observation Rating*:** Medium	**Recommendation:** Management should strengthen procedures and documentation related to the overriding of annual and aggregate loan limits to ensure proper financial aid overrides. **Management Response:** Management and IT have created a quality control report to review all loan limit overrides completed. This will run monthly, throughout the academic year and be sent automatically to management team for their review. Our control outcomes will be documented and tracked in Banner software, available for audit review at any time.	Implemented
According to the Federal Student Aid Handbook, Volume 4 Chapter 5, *Reconciliation in the Pell Grant and Campus-Based Programs*, states "Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department's systems (COD, G6, and NSLDS) with the information in the school's internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation process and retain any reconciliation documentation for audit and review purposes… At a minimum, your school should reconcile its FSA financial records monthly and should be conducted on a more frequent basis during periods of high transaction volume." **Observation:** During our review, we noted that reconciliations are performed; however, they did not include the necessary supporting documentation. In addition, reconciliation procedures did not include	**Recommendation:** Management should strengthen reconciliation procedures to help ensure the accuracy of federal awards and compliance with Title IV regulatory requirements. **Management Response:** Management has created a cover sheet for Pell and Direct Loan reconciliation files, that includes the following data: Preparer name, Begin Date, Number of Reconciliation Entries Made, Date of Corrections, Reviewer name, Begin Date, and Completed Review Date. This cover sheet will be added to each reconciliation file, at the onset of our monthly reconciliation review, and will be available for review at any time. Management will also update the procedures to reflect the separation of duties for the preparer and reviewer roles.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
some of the essential elements of a strong reconciliation control. ***Observation Rating*:** Medium		
26-100 Business Continuity Audit as of May 31, 2026 Report Released 10/15/26		
The objective of the audit was to gain assurance that BCPs are effective to resume business operations at the department level in a timely manner after a disruptive event. The report contains confidential information as specified in Texas Government Code Section 552.139 and is not subject to the disclosure requirements of the Texas Public Information Act.		Ongoing
26-101 Change Management – College of Liberal & Applied Arts Audit as of November 30, 2025 Report Released 03/24/26		
University Policy 01-401, Compliance, states, "The department head of each operating unit within the university is responsible and shall be held accountable for compliance and compliance-related activities in their respective units. The department head shall maintain documented procedures and records for their activities and areas of responsibility." **Observation:** During our audit procedures, we noted that some units did not have documented policies and procedures in place for the areas of oversight listed below. • Accounts Receivable • Budget • Expenditures • Grants • Information Technology • Leave Reporting • Procurement Card • Property • Receipts • Student Organizations • Time Keeping • Travel • Youth Protection. **Observation Rating:** High	**Recommendation:** The College should add or strengthen documented policies and procedures for areas of oversight to ensure compliance with University policies and procedures. **Management Response:** The College will add or strengthen documented policies and procedures for areas of oversight to ensure compliance with University policies and procedures.	Ongoing

<table>
<tr><th>Observation
(see ratings at end of the appendix)</th><th>Recommendation/
Management Response</th><th>Status</th></tr>
<tr><td>University Policy 03-302, Employee Training and Development, states “Supervisors and managers are responsible for…ensuring that employees complete all required compliance training in established timeframes.” The University utilized Cornerstone, an online learning management system, to administer and retain all training requirements for employees until January 2026. The University now utilizes NeoEd.

Observation: During our audit procedures, we noted employees had not completed the required training as reflected in the table below.

<table>
<tr><th rowspan="2">Training</th><th rowspan="2">Frequency</th><th colspan="2">Completed</th><th colspan="2">Incomplete</th><th colspan="2">Not Assigned</th><th>Total</th></tr>
<tr><th>#</th><th>%</th><th>#</th><th>%</th><th>#</th><th>%</th><th>#</th></tr>
<tr><td>Compliance*</td><td>Annual</td><td>166</td><td>73%</td><td>46</td><td>20%</td><td>15</td><td>7%</td><td>227</td></tr>
<tr><td>Human Trafficking</td><td>One-Time</td><td>167</td><td>74%</td><td>11</td><td>5%</td><td>49</td><td>22%</td><td>227</td></tr>
<tr><td>MUV</td><td>Every 3 Years</td><td>5</td><td>71%</td><td>2</td><td>29%</td><td>-</td><td>0%</td><td>7</td></tr>
<tr><td>Payment Card</td><td>Annual</td><td>4</td><td>100%</td><td>-</td><td>0%</td><td>-</td><td>0%</td><td>4</td></tr>
<tr><td>P-Card</td><td>One-Time</td><td>15</td><td>100%</td><td>-</td><td>0%</td><td>-</td><td>0%</td><td>15</td></tr>
<tr><td>PCI Compliance</td><td>Annual</td><td>4</td><td>100%</td><td>-</td><td>0%</td><td>-</td><td>0%</td><td>4</td></tr>
<tr><td>Property</td><td>One-Time</td><td>133</td><td>90%</td><td>-</td><td>0%</td><td>15</td><td>10%</td><td>148</td></tr>
<tr><td>Purchasing 101</td><td>Every 2 Years</td><td>26</td><td>100%</td><td>-</td><td>0%</td><td>-</td><td>0%</td><td>26</td></tr>
<tr><td>Receipts</td><td>Annual</td><td>6</td><td>75%</td><td>-</td><td>0%</td><td>2</td><td>25%</td><td>8</td></tr>
<tr><td>T-Card</td><td>Every 2 Years</td><td>7</td><td>88%</td><td>1</td><td>13%</td><td>-</td><td>0%</td><td>8</td></tr>
<tr><td>Youth Protection</td><td>Every 2 Years</td><td>1</td><td>50%</td><td>-</td><td>0%</td><td>1</td><td>50%</td><td>2</td></tr>
</table>
*Compliance training, which includes Ethics, EEO, Title IX, FERPA, and Security Awareness training, was tested for the 2025 requirement. Compliance training was assigned on February 2, 2026 for the 2026 requirement.

Observation Rating: High</td><td>Recommendation: The employees should complete the required training. The College should strengthen procedures to ensure compliance with training requirements. Human Resources should ensure all employees have been assigned compliance and human trafficking training.

Management Response: The employees will complete the required training. The College will strengthen procedures to ensure compliance with training requirements. Human Resources will ensure all employees have been assigned compliance and human trafficking training.</td><td>Ongoing</td></tr>
<tr><td>The College will strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to receipts.

Observation: During our audit procedures, we noted the following:

<table>
<tr><th rowspan="2">Receipt Control</th><th colspan="6">Deposit Area</th></tr>
<tr><th>Stone Fort</th><th>LCC[1]</th><th>AGS[2]</th><th>Military Science</th><th>CPM[3]</th><th>Pre-Law</th></tr>
<tr><td>Segregation of Duties</td><td>No</td><td>Yes</td><td>No</td><td>No</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Written Receipt Procedures</td><td>No</td><td>No</td><td>No</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td>Receipts Signage</td><td>No</td><td>No</td><td>No</td><td>N/A[4]</td><td>No</td><td>No</td></tr>
<tr><td>Job Description Language</td><td>Yes</td><td>No</td><td>No</td><td>Yes</td><td>No</td><td>Yes</td></tr>
<tr><td>Timely Deposit</td><td>No</td><td>No</td><td>No</td><td>No</td><td>No</td><td>N/A[4]</td></tr>
<tr><td>Fully Completed Receipts</td><td>No</td><td>No</td><td>No</td><td>No</td><td>No</td><td>N/A[4]</td></tr>
<tr><td>Receipts and Deposits Training – see obs. 2</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Record Retention</td><td>Yes</td><td>N/A[4]</td><td>N/A[4]</td><td>N/A[4]</td><td>Yes</td><td>Yes</td></tr>
</table>
1 – Languages, Culture, and Communication
2 – Anthropology, Geography, and Sociology (now included within Government and Sociology)
3 – Certified Public Manager Program
4 – Not reviewed/Not applicable to our samples

Observation Rating: High</td><td>Recommendation: The College should add or strengthen procedures to ensure compliance with University policies and procedures related to leave reporting. In addition, the College should work with Payroll to determine if an adjustment is warranted for employees not reporting leave.

Management Response: The College will strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to receipts.</td><td>Ongoing</td></tr>
</table>

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Recommendation: The College should strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to receipts.		
University Policy 03-507, Vacation Leave, states, "Vacation leave must be authorized in advance, and leave taken must be recorded using the university's official leave reporting system(s). Leave documentation must be maintained in association with state record retention requirements." University Policy 03-505, Sick Leave, states, "Faculty must submit leave forms (as designated by the department head) for all sick leave the faculty member takes if the absence occurs during the normal workday for regular employees, even if no classes are missed." University Policy 03-408, Time Reporting for Non-Exempt Employees, states, "Official time records are to be maintained for all non-exempt employees via SFA's electronic timekeeping system. When an employee does not have access to enter time through the electronic timekeeping system, time must be recorded and sent to the payroll office in a method established and by the due dates set by the payroll office." The SFA State Record Retention Schedule indicates that leave requests are to be retained for a period of fiscal year end plus three years. **Observation:** During our audit procedures, we noted the following: • For Non-exempt employees, 5 of 21 (24%) instances of leave taken were not supported by documentation. • For Non-exempt employees, 2 of 21 (10%) instances of leave requested were not reported as leave taken. • For exempt employees, 3 of 17 (18%) instances of leave taken were not supported by documentation. • For exempt employees, 3 of 17 (18%) instances of leave requested were not reported as leave taken. • There were 4 instances of employees not reporting leave for a date identified by the University as closed that required employees to use accrued personal leave. • We noted that the College had not maintained leave records for the required period of time.	**Recommendation:** The College should add or strengthen procedures to ensure compliance with University policies and procedures related to leave reporting. In addition, the College should work with Payroll to determine if an adjustment is warranted for employees not reporting leave. **Management Response:** The College will add or strengthen procedures to ensure compliance with University policies and procedures related to leave reporting. In addition, the College will work with Payroll to determine if an adjustment is warranted for employees not reporting leave.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Observation Rating: Medium		
The University has Policy 05-306, Property Inventory and Management, and the Property Management Manual to guide employees in their duties as custodians of University property. In addition, Policy 05-306, Property Inventory and Management, states, "University property may be taken off campus only for official business of the university or another state agency. The individual taking equipment off campus assumes financial responsibility and must complete a Removal of Property from Campus Request form annually." **Observation:** During our audit procedures, we noted the following: • 3 property custodians are no longer active employees or work in the College. • 36 of 48 (75%) property items that had their location listed as 'See Removal from Campus Form' did not have the requisite form on file. • 2 of 48 (4%) property items that had their location listed as 'See Removal from Campus Form' had an outdated requisite form on file. **Observation Rating:** Medium	**Recommendation:** The College should review the property list and related custodians to ensure compliance with University policies and procedures related to property. As part of the exit process, the College should determine if the terminated employee has custody of any property and take appropriate action. **Management Response:** The College will review the property list and related custodians to ensure compliance with University policies and procedures related to property. As part of the exit process, the College will determine if the terminated employee has custody of any property and take appropriate action.	Ongoing
The University has Policy 05-106, Travel, 05-107, Travel Card (T-Card), Travel Planning Guide, SFA International Travel Guidelines, and International Planning Checklist to guide employees in their duties related to business travel. **Observation:** During our audit procedures, we noted 12 of 14 (86%) travel expense reports were reviewed with one or more exceptions. **Observation Rating:** Medium	**Recommendation:** The College should add or strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to travel. The College should also consider training or refresher training for employees involved in the travel process. **Management Response:** The College will add or strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to travel. The College will also consider training or refresher training for employees involved in the travel process.	Ongoing
The University has Policy 05-201, Direct Pay Disbursements, and the University's Procurement	**Recommendation:** The Division of Finance should strengthen controls relating to purchase vouchers used for employee	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Manual to guide employees in the use of purchase vouchers. **Observation:** During our audit procedures, we noted a purchase voucher that was approved by the payee which presents a control weakness in the purchase voucher approval process. **Observation Rating:** Medium	reimbursements to ensure a proper segregation of duties. **Management Response:** The Division of Finance will review the internal controls for purchase vouchers and will strengthen controls for employee reimbursements.	
University Policy 01-402, Conflict of Interest, Conflict of Commitment, and Outside Activities, states, "Approval is required prior to engaging in the following activities: All outside employment or other compensated outside activities; all outside board service that reasonably appears to create a conflict of interest or a conflict of commitment, or requires time away from university responsibilities; and any uncompensated activity that reasonably appears to create conflict of interest or a conflict of commitment." **Observation:** During our audit procedures, we noted 21 of 53 (40%) instances of outside activities disclosures did not have an approval on file. **Observation Rating:** Medium	**Recommendation:** The College should review outside activity disclosures and take appropriate action to ensure compliance with University policies and procedures related to outside activities. **Management Response:** The College will review outside activity disclosures and take appropriate action to ensure compliance with University policies and procedures related to outside activities.	Ongoing
University Policy 02-312, Faculty Workload, states, "The instruction of a course overload for the academic year, when at the request of an academic unit head, may qualify a faculty member for additional compensation during a semester. An individual who accepts an overload assignment will fulfill the responsibility beyond normal contractual workload." **Observation:** During our audit procedures, we noted that the College does not have documented procedures to support standardized overload assignment decisions. **Observation Rating:** Low	**Recommendation:** The College should add procedures and documentation related to overload assignments to ensure standardized decisions. **Management Response:** The College will add procedures and documentation related to overload assignments to ensure standardized decisions.	Ongoing
26-102 Contract Administration Audit as of December 31, 2025 Report Released 06/10/26		
The University's Contract Management Guide states, "The purpose [of monitoring contracts] is to ensure that the contractor is performing all duties in accordance with the contract and for SFA to be aware of and address any developing problems or issues."	**Recommendation:** The University should strengthen contract monitoring for the Chartwells agreement to ensure compliance with contract provisions and acceptable vendor performance.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Observation: During our audit procedures, we noted that effective monitoring of the Chartwells contract is not documented and does not appear to be performed on a routine basis. This includes performance expectations, use of in-kind contributions, and the various revenue/expense transactions. **Observation Rating:** Medium	**Management Response:** The University will review prior reporting to close gaps and re-establish and implement a structured contract monitoring framework to ensure that Chartwells performs all duties in accordance with the agreement and that any issues are identified and addressed in a timely manner. This framework will emphasize clear performance expectations, systematic review of financial activity, and transparent tracking of in-kind contributions to support effective stewardship of institutional resources.	
The University entered into an agency agreement with Collegiate Licensing Company, LLC (CLC) in September of 1999. Since execution, there have been four amendments to the contract with the most recent amendment, amendment four, being executed on January 17, 2024. The University began working with the UTS Brand, Trademarks and Licensing Office in the summer of 2024 relating to the operating arrangement with CLC. **Observation:** During our audit procedures, we noted that the most recent contract amendment, amendment four, with CLC, includes the following language relating to the payment terms, "With regard to Annual Revenue, CLC shall be entitled to retain…". Whereas, the original contract language for the payment term reads, "With regard to Annual Revenue received by CLC…CLC shall pay to the University…". The applicable percentage shares were not aligned with the language change; however, it appears that the University has been receiving the correct share despite the language change in the amendment. In addition, the signing bonus of $100,000, included in amendment four, was paid by CLC via check issued February 2, 2024, but has not been deposited by the University. **Observation Rating:** Medium	**Recommendation:** The University should work to resolve terms and receipt of signing bonus with vendor and/or UTS. **Management Response:** The University will work to resolve terms and receipt of signing bonus with vendor and/or UTS.	Ongoing
26-106 Scholarship Administration Audit as of December 31, 2025 Report Released 06/10/26		
HOP 04-201, Administration of Scholarships, states, "The Office of Financial Aid and Scholarships is responsible for oversight of the university's	**Recommendation**: Management should add and strengthen controls related to scholarship administration governance.	Ongoing

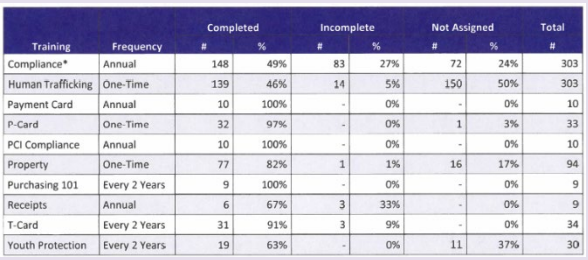
Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
comprehensive scholarship program and acts as a liaison between academic departments, the SFASU Foundation, and Admissions. The Office of Financial Aid and Scholarships sets deadlines, ensures that departments adhere to scholarship guidelines, and verify that funds are spent according to agreements as well as institutional, state, and federal regulations." HOP 03-303, Lumberjack Education Assistance Program, states that an outside scholarship is, "A scholarship provided by a private donor, foundation, business, or other sources external to Stephen F. Austin State University, SFASU Foundation, Inc., and SFASU Alumni Association." In addition, according to Integrated Postsecondary Education Data System (IPEDS), "IPEDS defines scholarships and fellowships as outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes awarded to students by the institution, including Pell grants. Regardless of the source of funds, it is considered a scholarship or fellowship if the institution awards it." **Observation:** During our audit procedures, we noted the following: • A centralized inventory of all available scholarships is not currently maintained. In addition, the Office of Financial Aid and Scholarships did not have documentation for some non-endowed scholarships regarding the purpose, criteria, and/or expectations for each award. • Procedures for reconciling scholarship awards across systems have not been established, which resulted in some scholarships being awarded in Academic Works for Fall 2025 that were not disbursed in Banner. • Inconsistent application of scholarship classification. **Observation Rating:** High	**Management Response:** Management will strive to enhance the robustness of the current scholarship inventory by researching older scholarships that were not documented at the time of their creation. Additionally, we will assign our analyst to reconcile data between Banner and the scholarship database during the implementation of our new software. The management and classification of scholarships will remain a collaborative effort between the Financial Aid and Scholarship Office, the Office of Advancement, and the Finance Department.	
HOP 04-201, Administration of Scholarships, states, "The university has established these guidelines to ensure fair treatment for all eligible students who apply for scholarship assistance and effective and compliant administration of scholarships." In addition, the policy states, "The Office of Financial Aid and Scholarships is responsible for the management and maintenance of	**Recommendation:** Management should strengthen controls to ensure accurate and reliable data for scholarship administration. Scholarship Committee Administration	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
the scholarship database. The database provides a consolidated source for scholarship criteria, electronic scholarship applications, committee assignments, available disbursement amounts, and reports." **Observation:** During our audit procedures, we noted the following: • Instances where Grade Point Average (GPA) data recorded in Banner and Slate did not align with information on prospective student transcripts which may result in exclusion from scholarship opportunities. • 1 of 35 (3%) sampled endowed scholarships reflected inconsistent award processing between Academic Works and Banner. **Observation Rating:** High	**Management Response:** Management will collaborate with Admissions Enrollment Processing to address and resolve data variances between Slate/Banner and prospective student transcripts, potentially by developing an exception report. Admissions is currently working with an AI product to convert data and hopes to eliminate these types of errors. The award processing discrepancy between Academic Works and Banner involved an eligible renewal student. Moving forward, we will aim to configure the new software to encompass all potential renewal categories to prevent such inconsistencies.	
HOP 04-201, Administration of Scholarships, states, "The Office of Financial Aid and Scholarships is responsible for oversight of the university's comprehensive scholarship program and acts as a liaison between academic departments, the SFASU Foundation, and Admissions. The Office of Financial Aid and Scholarships sets deadlines, ensures that departments adhere to scholarship guidelines, and verify that funds are spent according to agreements as well as institutional, state, and federal regulations." Observation: During our audit procedures, we noted the following: • The Office of Financial Aid Scholarship Committee is comprised of one University employee with no additional levels of review and/or participation. • The Financial Assistance & Scholarship Committee is referenced inconsistently across University documents and resources. • 5 of 35 (14%) sampled endowed scholarships still reflect the Alumni Foundation, which is inactive, as the selection committee. • 5 of 35 (14%) sampled endowed scholarships had qualified applicants in the applicant pool, but no award was made by the applicable scholarship committee.	**Recommendation:** Management should strengthen controls to ensure appropriate segregation of duties, clarification of committee naming, and effective use of scholarship funds. **Management Response:** Management will expand the department committee to include multiple members to promote better segregation of duties. Management will also review naming conventions and recommend alignment across the relevant areas, including Academic Affairs and University Advancement. The Office of Advancement has updated many historical documents referencing the "Alumni Committee" in older memorandums of understanding. We will discuss the ongoing need for revisions to these documents. Management will continue to engage with departments that have not yet made selections and encourage timely decision-making. Additionally, management aims to enhance the current scholarship inventory by researching older scholarships that were not documented at the time of establishment. We are transitioning to a new software platform	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
• 8 of 8 (100%) sampled non-endowed scholarships did not have consistent or clear documentation as to the reasoning for recipient selection. • The General Deposit Scholarship and General University Scholarship did not have consistent or clear documentation as to the reasoning for recipient selection. • 7 of 35 (20%) sampled endowed scholarships were maintained in Academic Works but were awarded after the scholarship cycle closed; as a result, the awards were not documented in Academic Works. • 1 of 35 (3%) sampled endowed scholarships had no applicants in the Academic Works applicant pool, so the scholarship was awarded to a student outside of Academic Works. The documentation provided was not clear as to the eligibility of the recipient. **Observation Rating:** Medium	that allows for processing scholarships over a longer time frame, which should address the previous inconsistencies between the existing system and the new platform.	
HOP 04-201, Administration of Scholarships, states, "A conflict of interest can occur when personal interests affect the performance of a professional obligation to the university. All SFA employees who are part of a scholarship committee or have access to the scholarship software will be required to annually disclose potential conflicts of interest." It also states that, "All students offered scholarships are required to complete a Conflict of Interest and Disclosure form." **Observation**: During our audit procedures, we noted the Conflict of Interest and Disclosure form, required for all scholarship recipients, only addresses governing board relationships and does not address other potential University conflicts of interest. We identified 141 scholarship recipients with familial relationships to employees. **Observation Rating:** Medium	**Recommendation:** Management should strengthen controls to ensure potential conflicts of interest are considered during the scholarship administration process. **Management Response:** Management will introduce an additional question to the award acceptance process to gather conflict of interest statements from students regarding SFA employees. This change will be implemented in the new software for the 2027-2028 award year. Subsequently, we will review and compare any responses from the selection committee to identify any potential conflicts of interest.	Ongoing
University of Texas System (UTS) Policy 117, Endowment Compliance Plan Systemwide Standards and Guidelines, states, " The U. T. System institution and U. T. System Administration should ensure that each endowment is used for the purposes(s) intended by the donor(s) and in accordance with the terms of the official document(s) associated with the establishment	**Recommendation:** Management should strengthen controls to ensure endowed scholarships are accurately recorded in the scholarship database and awarded in accordance with donor intent.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
and approval of the endowment by the Board of Regents or its designee(s)." HOP 04-201, Administration of Scholarships, states, "Endowed scholarships will be entered into the [scholarship database system]." **Observation:** During our audit procedures, we noted the following: • 5 of 35 (14%) sampled endowed scholarships had award criteria in Academic Works that did not match the criteria set by the donor agreement. • 4 of 35 (11%) sampled endowed scholarships are not entered into Academic Works. **Observation Rating:** Medium	**Management Response:** Management will review the criteria and implement necessary updates to the software accordingly. We will collaborate with Athletics and Advancement to incorporate these athletic scholarships into the scholarship management system as soon as feasible.	
UTS Policy 117, Endowment Compliance Plan Systemwide Standards and Guidelines, states, "The U. T. System institution and U. T. System Administration should provide annual reports to the donor(s) of each endowment. The report should summarize the major activities associated with the endowment, include a financial statement for the endowment for the report period and, when appropriate, provide information on the holder(s) or the recipient(s) of the endowment." **Observation:** During our audit procedures, we were unable to determine which athlete(s) were awarded endowed athletic scholarships. **Observation Rating:** Medium	**Recommendation:** Management should strengthen procedures to ensure individual recipients of endowed athletic scholarships are identifiable. **Management Response:** Management will strengthen procedures to ensure individual recipients of endowed athletic scholarships are identifiable.	Ongoing
Information Technology Services (ITS) Policy 14.1.8, IT Contingency Planning, states "Contingency planning for information systems is part of an overall organizational program for achieving continuity of operations for mission/business operations. Contingency planning addresses both information system restoration and implementation of alternative mission/business processes when systems are compromised." The policy also states, "This policy is applicable to individuals that, through the use of an account, access information and technology resources at SFA as well as those responsible for the management of accounts or access to shared information or network(s). This policy covers departmental accounts as well as those managed centrally."	**Recommendation:** Management should establish and document a contingency plan for the scholarship database system(s). **Management Response:** Management will establish and document a contingency plan for the scholarship database system(s).	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Observation: During our audit procedures, we noted there is no established contingency plan for Academic Works. The University is currently implementing a new scholarship database, Scholarship Universe. **Observation Rating:** Medium		
The Common Data Set initiative is a collaborative effort among data providers in higher education and publishers as represented by the College Board, Peterson's, and U.S. News & World Report. The Common Data Set's data collection process captures some information with uniform definitions across the board that isn't available from the other major college resource: the government's Integrated Postsecondary Education Data Set, part of the U.S. Department of Education. **Observation:** During our audit procedures, we noted that Section H1 Aid Awarded to Enrolled Undergraduates of the Common Data Set for 2025-2026 was incorrect. **Observation Rating:** Medium	**Recommendation:** Management should correct the Common Data Set report for 2025-2026 and provide the updated report to the appropriate reporting bodies. **Management Response:** Management is working with the Office of Strategic Analytics and Institutional Research and ITS to report the corrected data.	Ongoing
26-108 Change Management – College of Fine Arts Audit as of November 30, 2025 Report Released 03/24/26		
University Policy 01-401, Compliance, states, "The department head of each operating unit within the university is responsible and shall be held accountable for compliance and compliance-related activities in their respective units. The department head shall maintain documented procedures and records for their activities and areas of responsibility." **Observation:** During our audit procedures, we noted that some units did not have documented policies and procedures in place for the areas of oversight listed below. • Accounts Receivable • Budget • Expenditures • Grants • Information Technology • Leave Reporting • Procurement Card • Property	**Recommendation:** The College should add or strengthen documented policies and procedures for areas of oversight to ensure compliance with University policies and procedures. **Management Response:** The College will assemble a manual to document policies and procedures across these areas to ensure alignment with established University policies and procedures. This manual will be distributed to all relevant faculty and staff and maintained on a common shared site for reference.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
• Receipts • Student Organizations • Time Keeping • Travel • Youth Protection. **Observation Rating:** High		
University Policy 03-302, Employee Training and Development, states "Supervisors and managers are responsible for…ensuring that employees complete all required compliance training in established timeframes." The University utilized Cornerstone, an online learning management system, to administer and retain all training requirements for employees until January 2026. The University now utilizes NeoEd. **Observation:** During our audit procedures, we noted employees had not completed the required training as reflected in the table below.  *Compliance training, which includes Ethics, EEO, Title IX, FERPA, and Security Awareness training, was tested for the 2025 requirement. Compliance training was assigned on February 2, 2026 for the 2026 annual requirement. **Observation Rating:** High	**Recommendation:** The employees should complete the required training. The College should strengthen procedures to ensure compliance with training requirements. Human Resources should ensure all employees have been assigned compliance and human trafficking training. **Management Response:** The College administration will secure access to all relevant reporting mechanisms to monitor employee training statuses and will intensify efforts to ensure compliance with training requirements.	Ongoing
The University has Policy 05-208, *Receipts and Deposits*, and the *Student Business Services Receipting Guidelines and Procedures*, to guide departments in their duties for handling receipts. Also, Policy 01-306, *Records Management*, states "Stephen F. Austin State University adheres to state regulations for the management of its records. The retention schedule lists the university's records series and identifies legal, audit, archival and/or retention requirements." The retention schedule for receipts is fiscal year end plus three years.	**Recommendation:** The College should strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to receipts. **Management Response:** The College will implement a Standard Operating Procedure (SOP) for Cash Receipts and Deposit Handling to strengthen internal controls and ensure compliance with University policies and procedures. The SOP will require pre-numbered receipts to be issued in	Implemented

Training	Frequency	Completed		Incomplete		Not Assigned		Total
		#	%	#	%	#	%	#
Compliance*	Annual	148	49%	83	27%	72	24%	303
Human Trafficking	One-Time	139	46%	14	5%	150	50%	303
Payment Card	Annual	10	100%	-	0%	-	0%	10
P-Card	One-Time	32	97%	-	0%	1	3%	33
PCI Compliance	Annual	10	100%	-	0%	-	0%	10
Property	One-Time	77	82%	1	1%	16	17%	94
Purchasing 101	Every 2 Years	9	100%	-	0%	-	0%	9
Receipts	Annual	6	67%	3	33%	-	0%	9
T-Card	Every 2 Years	31	91%	3	9%	-	0%	34
Youth Protection	Every 2 Years	19	63%	-	0%	11	37%	30

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Observation*:* During our audit procedures, we noted the following: Receipt Control / Deposit Area: Music, Bands, Choir, Music Educ, Art, Theatre, Box Office, Music Prep Segregation of Duties: N/A[1], No, N/A[1], No, No, No, No, No Written Receipt Procedures: No, No, No, No, No, No, No, No Receipts Signage: Yes, No, Yes, No, Yes, No, Yes, Yes Job Description Language: Yes, Yes, No, No, Yes, Yes, Yes, Yes Timely Deposit: N/A[1], No, N/A[1], No, No, No, Yes, No Fully Completed Receipts: N/A[1], No, N/A[1], Yes, No, No, No, No Receipts and Deposits Training – *See obs. 2*: No, Yes, Yes, Yes, Yes, No, Yes, Yes Record Retention: No, Yes, Yes, Yes, Yes, Yes, Yes, Yes 1 – Not reviewed/Not applicable to our samples **Observation Rating:** High	chronological order, documentation and retention of voided receipts with explanations, and separation of duties between employees issuing receipts and deposit verification. Additionally, employees responsible for handling funds will complete annual training and will be reminded of the record retention policy for receipts and deposits.	
University Policy 04-117, *Student Employment*, states "Termination of employment with the university and the ending of a job assignment are also documented through completion of the proper EPAF created by the employing department." **Observation:** During our audit, we noted that 11 student workers who no longer work for the College were still active in the system. **Observation Rating:** Medium	**Recommendation:** The College should add or strengthen procedures to include a routine procedure to review student employee listing to ensure compliance with policies and procedures related to student employment. **Management Response:** The inactive student workers have been terminated. In addition, the College will develop a procedure requiring units that employ students to review the status of student employees every semester and terminate them as appropriate.	Implemented
University Policy 03-507, *Vacation Leave,* states, "Vacation leave must be authorized in advance, and leave taken must be recorded using the university's official leave reporting system(s). Leave documentation must be maintained in association with state record retention requirements." University Policy 03-505, *Sick Leave*, states, "Faculty must submit leave forms (as designated by the department head) for all sick leave the faculty member takes if the absence occurs during the normal workday for regular employees, even if no classes are missed." University Policy 03-408, *Time Reporting for Non-Exempt Employees*, states, "Official time records are to be maintained for all non-exempt employees via SFA's electronic timekeeping system. When an employee does not have access to enter time through the electronic timekeeping system, time must be recorded and sent to the payroll office in a method established and by the due dates set by the payroll office." The SFA State Record Retention Schedule indicates that leave	**Recommendation:** The College should add or strengthen procedures to ensure compliance with University policies and procedures related to leave reporting. In addition, the College should work with Payroll to determine if an adjustment is warranted for employees not reporting leave. **Management Response:** The College will assemble a manual to document policies and procedures related to leave requests and leave reporting to ensure alignment with established University policies and procedures. This manual will be distributed to all relevant faculty and staff and maintained on a common shared site for reference.	Implemented

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
requests are to be retained for a period of fiscal year end plus three years. **Observation:** During our audit procedures, we noted the following: • For Non-exempt employees, 11 of 16 (69%) instances of leave taken were not supported by documentation. • For Non-exempt employees, 1 of 16 (6%) instances of leave requested were not reported as leave taken. • There were 4 instances of employees not reporting leave for a date identified by the University as closed that required employees to use accrued personal leave. **Observation Rating:** Medium		
The University has Policy 05-306, *Property Inventory and Management*, and the *Property Management Manual* to guide employees in their duties as custodians of University property. In addition, Policy 05-306, *Property Inventory and Management*, states, "University property may be taken off campus only for official business of the university or another state agency. The individual taking equipment off campus assumes financial responsibility and must complete a Removal of Property from Campus Request form annually." *Observation*: During our audit procedures, we noted the following: • 5 property custodians are no longer active employees or work in the College. • 94 of 106 (89%) property items that had their location listed as 'See Removal from Campus Form' did not have the requisite form on file. • 8 of 106 (8%) property items that had their location listed as 'See Removal from Campus Form' had an outdated requisite form on file. **Observation Rating:** Medium	**Recommendation:** The College should review the property list and related custodians to ensure compliance with University policies and procedures related to property. As part of the exit process, the College should determine if the terminated employee has custody of any property and take appropriate action. **Management Response:** The College will create a document outlining the exit process to finalize business matters. This will include verifying the collection of keys, return of credit cards, uniforms, files, and equipment. In addition, the College will review the property listing and update custodians as necessary.	Implemented
The University has Policy 05-106, Travel, 05-107, Travel Card (T-Card), Travel Planning Guide, SFA International Travel Guidelines, and International Planning Checklist to guide employees in their duties related to business travel.	**Recommendation:** The College should add or strengthen procedures and consider implementing consistent practices across the College to ensure compliance with University policies and procedures related to travel. The College should also consider training or	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
Observation: During our audit procedures, we noted 9 of 11 (82%) of travel expense reports were reviewed with one or more exceptions. **Observation Rating:** Medium	refresher training for employees involved in the travel process. **Management Response:** The College will assemble a manual to document policies and procedures related to travel to ensure alignment with established University policies and procedures. This manual will be distributed to all relevant faculty and staff and maintained on a common shared site for reference.	
The University has Policy 05-301, Best Value Procurement, and the University's Procurement Manual to guide employees in their duties related to expenditures. **Observation:** During our audit procedures, we noted the following: • 6 of 32 (19%) sampled expenditures were reviewed with one or more exceptions. **Observation Rating:** Medium	**Recommendation:** The College should review expenditure processes and take appropriate action to ensure compliance with University policies and procedures related to expenditures. **Management Response:** The College will review expenditure processes, identify errors, and educate those involved. Proper procedures will be documented, shared, and maintained on a shared site.	Ongoing
University Policy 01-402, Conflict of Interest, Conflict of Commitment, and Outside Activities, states, "Approval is required prior to engaging in the following activities: All outside employment or other compensated outside activities; all outside board service that reasonably appears to create a conflict of interest or a conflict of commitment, or requires time away from university responsibilities; and any uncompensated activity that reasonably appears to create conflict of interest or a conflict of commitment." **Observation:** During our audit procedures, we noted 36 of 69 (52%) instances of outside activities disclosures did not have an approval on file. **Observation Rating:** Medium	**Recommendation:** The College should review outside activity disclosures and take appropriate action to ensure compliance with University policies and procedures related to outside activities. **Management Response:** The audit has revealed a gap in our understanding of the requirement. The College will review the requirements and document proper procedures. The procedures will be shared with all faculty and staff and maintained on a shared site for reference.	Ongoing
University Policy 01-402, Conflict of Interest, Conflict of Commitment, and Outside Activities, states, "Every employee discloses outside activities as required under this policy through the official electronic disclosure portal." **Observation:** During our review of Conflict-of-Interest Disclosures, we noted that student employees did not	**Recommendation:** The University should review the policy and the conflict of interest disclosure portal to ensure proper alignment of intent and execution. **Management Response:** The Compliance Officer will review and align the policies and procedures accordingly.	Ongoing

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
have access to complete the 'Outside Employment' portion of the disclosure portal. **Observation Rating:** Low		
University Policy 02-312, Faculty Workload, states, "The instruction of a course overload for the academic year, when at the request of an academic unit head, may qualify a faculty member for additional compensation during a semester. An individual who accepts an overload assignment will fulfill the responsibility beyond normal contractual workload." **Observation:** During our audit procedures, we noted that the College does not have documented procedures to support standardized overload assignment decisions. **Observation Rating:** Low	**Recommendation:** The The College should add procedures and documentation related to overload assignments to ensure standardized decisions. **Management Response:** The College will document established overload procedures. The procedure will be shared and maintained on a shared site.	Ongoing
IP 26-01 Internal Controls for Organization Hierarchy Report Released 12/16/25		
The University employs an organizational structure through Banner, '*Reports to'* field in table *NBAPOSN*, which feeds to several areas of business operations, including Concur (Procurement Card and Travel), EPAF approvals, requisition and purchase order approvals, IT security, etc. This structure is controlled initially through the hiring process. However, when hierarchy changes are needed for department restructures or when a new department head is hired internally, a Banner self-serve form, *HIERARCHY MAINTENANCE,* can be used to make hierarchical changes. A limited number of employees have access to this form. **Observation:** The Banner self-serve form, *HIERARCHY MAINTENANCE*, does not have proper segregation of duties in place nor a mitigating review/approval process. Upon reviewing the audit log of changes made via this form, specifically where the employee/user matched the *'Reports to'* field, we found no instances in which the employee assigned themselves their own supervisor. **Observation Rating:** High	**Recommendation:** The University should implement adequate controls for the hierarchy change process in Banner to ensure a proper segregation of duties and that appropriate approval workflows are maintained. **Management Response:** Information Technology Services (ITS) has made appropriate changes to the Banner self-serve form, HIERARCHY MAINTENANCE, to ensure an employee's position record cannot be altered to have themselves listed as their supervisor. This change was deployed to production November 12, 2025.	Implemented
IP 26-03 Employee Travel Report Released 12/16/25		
University HOP policy 05-107, *Travel Card (T-Card)*, states, "The T-Card may not be used for any personal	**Recommendation:** Management should work with Human Resources to determine	Implemented

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
transactions." University HOP policy 05-106, *Travel*, states, "travelers are responsible for ensuring their travel complies with applicable state law, University of Texas System (UTS) Regents' Rules and Regulations and policies, and Stephen F. Austin State University (SFA) Travel Guidelines. Failure to comply may result in reimbursement delays and/or rejection of the traveler's claim for travel reimbursement. Fraudulent travel claims will be grounds for disciplinary action, including termination." **Observation:** During our review, we noted the employee used their T-Card for personal expenses. The employee provided the specific details of use, along with supporting documentation, to management on September 22, 2025, in a separate memorandum. **Observation Rating:** High	appropriate disciplinary action. In addition, the University should determine a method for recouping the personal expenses. **Management Response:** The University terminated the employee for cause on September 24, 2025. $4,065.50 of the total $16,392.92 has been received in reimbursement from the employee. The University will pursue all legal options to recoup the remaining balance owed.	
University HOP policy 05-106, *Travel*, establishes regulations related to allowable expenditures for university business travel and identifies the UTS Regents' Rules and Regulations, UTS policy, SFA Travel Guidelines and the Textravel website maintained by the Texas Comptroller of Public Accounts (TCPA) as the authoritative resources for travel laws and rules. This policy states that "travelers are responsible for ensuring their travel complies with applicable state law, UTS Regents' Rules and Regulations and policies, and SFA Travel Guidelines. Failure to comply may result in reimbursement delays and/or rejection of the traveler's claim for travel reimbursement. Fraudulent travel claims will be grounds for disciplinary action, including termination." University HOP policy 05-107, *Travel Card* (T-Card), establishes guidelines and requirements for the issuance and use of a T-Card for SFA business travel expenses. In addition, the University has a T-Card Program Guide as well as general travel guidelines published on the University's website. **Observation:** During our review, we noted that the employee did not follow University travel procedures and guidelines, as evidenced by 21 of 21 (100%) of travel requests and 23 of 23 (100%) of the travel expense reports having one or more exceptions. • Travel requests were not submitted in a timely manner.	**Recommendation:** Intercollegiate Athletics should strengthen its policies and procedures, as well as its oversight, related to individual and team travel. **Management Response:** Athletics will improve initial training, oversight and supervision of new employees in women's basketball who have responsibility for team travel and procurement. The department rarely has these issues in other programs. This was an employee who was not supervised appropriately and was not held accountable despite multiple instances of being late/negligent on other administrative tasks that negatively impacted the program. Direct, regular oversight of the Director of Women's Basketball Operations is assigned to the Head Coach and two sport administrators who are now meeting every two weeks on the overall administration of the women's basketball program.	Implemented

Observation (see ratings at end of the appendix)	Recommendation/ Management Response	Status
• Travel requests did not include adequate supporting documentation to justify the trip. • Travel requests did not include all estimated, expected expenses. • Expense reports did not have an associated travel request submitted or approved. • Expense reports were not submitted in a timely manner. • Expense reports were not approved in a timely manner. • Expense reports lacked sufficient supporting documentation. • Expense reports included personal travel and/or reimbursement (See Observation 1). **Observation Rating:** High		
According to Information Technology Services (ITS) Policy 14.1.1, *Account Management and Control*, "Users are responsible for all activity performed with their SFA ID. SFA IDs may not be utilized by anyone but the individuals to whom they have been issued. Users must not allow others to perform any activity with their SFA IDs." Specifically related to passwords, this policy states, "Regardless of the circumstances, passwords must never be shared or revealed to anyone else besides the authorized user. To do so exposes the authorized user to responsibility for actions that the other party takes with the password." **Observation***:* During our review, we noted the employee's supervisor had shared their credentials with the employee giving the employee the ability to approve their own travel expense reports. However, it appeared that the supervisor was approving, or at the very least, was aware of the employee's travel expenses being approved. **Observation Rating:** High	**Recommendation:** Intercollegiate Athletics should strengthen its procedures to ensure proper management of credentialing in accordance with ITS policies. **Management Response:** Athletics will discuss with the head coach and remind staff via email about the importance of security and passwords as required by SFA. Senior Administration of the department does not believe that this is a procedural issue, but more of a single employee issue.	Implemented

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 Audit Services.

Rating	Description
Priority	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
High	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
Medium	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
Low	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.
Unreportable	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.

Appendix B. Peer Review Report

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
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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 Hrncir, CPA
Chief Auditor
The Texas A&M University System

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

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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
IIA Attribute Standards:	
1000 Purpose, Authority, and Responsibility	Generally Conforms
1100 Independence and Objectivity	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Program	Generally Conforms
IIA Performance Standards:	
2000 Managing the Internal Audit Activity	Generally Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Generally Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms
The Institute of Internal Auditors' Code of Ethics	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
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Nancy C. Windham, Regent
Jennifer Winston, Regent, Secretary
Spencer Coffey, Student Regent
Jane Ann Bridges, Interim Chief Audit Executive

STEPHEN F. AUSTIN STATE UNIVERSITY

Department of Audit Services
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March 31, 2022

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

RE: Quality Assurance Review Self-Assessment Report

Dear Regent Mason:

Background

The *Texas Internal Auditing Act* (Texas Government Code Chapter 2102) requires an internal audit function in a State of Texas agency or higher education institution with an annual operating budget greater than $10 million; more than 100 full time equivalents as authorized by the General Appropriations Act; and receipts of more than $10 million in cash in a fiscal year. The Texas Internal Auditing Act was effective in 1993; however, SFASU Audit Services was established much earlier in 1976.

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

Audit Services operates with a CAE, Assistant CAE, two Risk and Compliance Auditors, and a graduate research assistant. Gina Oglesbee has served as CAE since March 1, 2005.

Executive Summary

Audit Services has completed a QAR Self-Assessment of the internal audit function. The principal objective was to assess Audit Services' compliance with the *Texas Internal Auditing Act;* the Institute of Internal Auditors (IIA) *Code of Ethics; International Standards for the Professional Practice of Internal Auditing;* and *Generally Accepted Government Auditing*

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Standards in effect at the time the audits were conducted, herein, collectively referred to as "*Standards*". There are three levels of conformity with the *Standards*: *Generally Conforms, Partially Conforms, and Does Not Conform.* It is our overall opinion that Audit Services *Generally Conforms* to the *Standards*.

QAR History

Under *Generally Accepted Government Auditing Standards,* an external assessment is required to be performed at least once every three years by a qualified independent reviewer from outside the organization. Audit Services has received an external validation assessment every three years as follows:

Year	Reviewer	*Validation Opinion*
2004	Toni Messer The University of Texas at Dallas	*Generally Conforms*
2007	Mike Vandervort The University of Texas at Austin	*Generally Conforms*
2010	Russell Hoskens University of Houston System	*Generally Conforms*
2013	Ken Schroeder University of Texas at Arlington and Lou Ann Viergever University of Texas at Tyler	*Generally Conforms*
2016	Jason Mallory and Tahlia Pena Texas State Technical College	*Generally Conforms*
2019	Robert Carter Baylor University	*Generally Conforms*

Scope and Methodology

The scope of the QAR Self-Assessment includes internal audit activities and audits issued from June 1, 2019 through March 31, 2022. Audit Services prepared a Self-Assessment Report along with supporting information. The QAR Self-Assessment was conducted using the State Agency Internal Audit Forum (SAIAF) Peer Review Guidelines and Master Peer Review Program as guidance.

The independent external validation of the QAR Self-Assessment will be conducted between April 1, 2022 and July 24, 2022. The independent external reviewer will review the QAR Self-Assessment Report and supporting information and perform validation procedures.

Opinion as to Conformity with the *Standards*

The rating system used for expressing an opinion for the QAR Self-Assessment provides for three levels of conformance as follows:

- *Generally Conforms* means that Audit Services has policies, procedures, and a charter that were judged to be in accordance with applicable standards; however, opportunities for improvement may exist.
- *Partially Conforms* means deficiencies, while they might impair, did not prohibit Audit Services from carrying out its responsibilities.
- *Does Not Conform* means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit Audit Services in carrying out its responsibilities.

It is our overall opinion that Audit Services *Generally Conforms* to the *Texas Internal Auditing Act;* the IIA *Code of Ethics; International Standards for the Professional Practice of Internal Auditing;* and *Generally Accepted Government Auditing Standards* in effect at the time the audits were conducted.

The following table contains the opinion of Audit Services conformity to the *Standards.*

Standard Type and Description	*Opinion*
Texas Internal Auditing Act	*Generally Conforms*
Generally Accepted Government Auditing Standards	*Generally Conforms*
IIA International Attribute Standards	
1000 – Purpose, Authority and Responsibility	*Generally Conforms*
1100 – Independence and Objectivity	*Generally Conforms*
1200 – Proficiency and Due Professional Care	*Generally Conforms*
1300 – Quality Assurance and Improvement Program	*Generally Conforms*
IIA International Performance Standards:	
2000 – Managing the Internal Audit Activity	*Generally Conforms*
2100 – Nature of Work	*Generally Conforms*
2200 – Engagement Planning	*Generally Conforms*
2300 – Performing the Engagement	*Generally Conforms*
2400 – Communicating Results	*Generally Conforms*
2500 – Monitoring Progress	*Generally Conforms*

Standard Type and Description	*Opinion*
2600 – Communicating the Acceptance of Risks	*Generally Conforms*
IIA Code of Ethics	*Generally Conforms*

Acknowledgements

We look forward to the assistance of Mr. Charlie Hrncir, CPA, Chief Auditor for Texas A&M University System, in performing the external validation of the QAR Self-Assessment for Audit Services.

We appreciate the support of the Board of Regents, President, Administration, and the SFASU community in performing our duties as the internal auditors for Stephen F. Austin State University.

Sincerely,

Gina Oglesbee, CPA, CFE
Chief Audit Executive

Jane Ann Bridges, CPA, CIA
Assistant Chief Audit Executive

cc: Scott Gordon, President
David R. Alders, Regent
Robert Flores, Regent
Karen Gantt, Regent, Chair
Brigettee C. Henderson, Regent
Judy Olson, Regent
Laura Rectenwald, Regent
Nancy C. Windham, Regent
Jennifer Winston, Secretary
Spencer Coffey, Student Regent

Appendix C. Fraud Poster

