



Internal Audit Annual Report Texas State University System Office of Internal Audit

Fiscal Year Ending August 31, 2020



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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Website

Texas Government Code Section 2102.015 requires state agencies and higher education institutions to post certain information on their internet websites. The Texas State University System (TSUS) Office of Internal Audit ensures compliance with Section 2102.015 through the following procedures:

- Posting its annual audit and compliance plan to the Office of Internal Audit webpages of the TSUS and components' websites within 30 days after formal approval by the Board of Regents ("the Board"). The Fiscal Year 2021 Audit and Compliance Plan was approved by the Board on August 14, 2020 and has been posted as required.
- Posting this *Internal Audit Annual Report for Fiscal Year 2020* to the Office of Internal Audit webpages of the TSUS and components' websites within 30 days of distributing the report to the Finance & Audit Committee of the Board.
- Including in the quarterly board materials, posted on the TSUS website, a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by audit and compliance plan projects and a detailed summary of the actions taken by management to address resultant recommendations. For Fiscal Year 2020, the detailed summary was included in the board materials for the first two quarters only, due to disruptions caused by COVID-19.

The TSUS Office of Internal Audit reserves the right to not post information contained in the audit and compliance plan, reports, or this Internal Audit Annual Report if the information is exempt from public disclosure under Chapter 552 of the Texas Government Code.

II. Audit and Compliance Plan for Fiscal Year 2020

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan (“Plan”) for System Administration and its components. The following is a listing of all projects included in the Plan for fiscal year 2020, amended to include the status of the projects, the report titles, report numbers (if applicable), and dates the reports were issued to external oversight entities. During the latter part of March 2020, due to the impact of COVID-19 and the transition to working remotely, we accelerated the timeline for a required upgrade and migration to TeamMate+ Audit (the next iteration of our audit management software) in lieu of initiating new audit projects.

SYSTEM ADMINISTRATION STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
TSUS Policy Alignment	In progress.
Construction Audits (OUTSOURCED)	Completed. Texas State University - Archives Research Center (ARC) - Library Repository, 5-22-2020.
Clery Survey	Completed. Activity did not result in the issuance of a report.
TAC 202 and Cybersecurity	In progress. This is a multi-year project due to the scope and number of institutions involved.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components’ webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	<ul style="list-style-type: none"> ➤ Respond to multiple Open Records Requests - completed. ➤ Margolis Healy system-wide review of Annual Security Reports - in progress. ➤ Updated information for all components for the system-wide fraud reporting hotline. ➤ Required Migration to TeamMate+ - in progress.

SACSCOC Assistance	On-going. Activity does not result in a report.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Respond to Open Records Requests.
Component Audit Assistance	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. ➤ Texas Workforce Commission, EEOC review ➤ State Auditor's Office, Contract Monitoring Audit ➤ Archives Research Center (ARC) - Library Repository Construction Audit, Texas State University, Townsend & Associates, LLC ➤ State Auditor's Office, 2019 and 2020 Single Audit ➤ Comptroller's Office, Recovery Audits
Compliance Program Development	On-going. Activity does not result in a report.
Compliance Newsletter	Completed. Newsletters issued in November 2019, February 2020, and August 2020.
Compliance Risk Universe	On-going. Activity does not result in a report.
Compliance Program Development	On-going. Activity does not result in a report.

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Quality Assurance Review	Completed. Report issued November 2019.

**LAMAR INSTITUTE OF TECHNOLOGY
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
IT - On-Going	On-going. Activity does not result in a report.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	<ul style="list-style-type: none"> ➤ Management requested review - completed: Proctored Exams, LIT-20-001, 6-4-2020. ➤ EthicsPoint #28 (through System Administration) - in progress. ➤ Required Migration to TeamMate+ - in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. <ul style="list-style-type: none"> ➤ Student Financial Aid Audit for Year Ending 8/31/2019, Belt Harris Pechacek, LLLP

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Special Projects	Management requested review - completed: Hiring Process Review, internal memorandum issued 9-10-2019.
Quality Assurance Review	Completed. Report issued November 2019.

**LAMAR STATE COLLEGE - ORANGE
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
IT - On-Going	On-going. Activity does not result in a report.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	Required Migration to TeamMate+ - in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. <ul style="list-style-type: none"> ➤ Student Financial Aid Audit for Year Ending 8/31/2019, Belt Harris Pechacek, LLLP

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Quality Assurance Review	Completed. Report issued November 2019.

**LAMAR STATE COLLEGE - PORT ARTHUR
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
IT - On-Going	On-going. Activity does not result in a report.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	Required Migration to TeamMate+ - in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. ➤ THECB Facilities Audit Follow-up

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Quality Assurance Review	Completed. Report issued November 2019.

LAMAR UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
JAMP	Completed. Joint Admission Medical Program Fiscal Year 2019 Expenditures, LU-20-001, 10-29-2019.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
KVLU-FM Radio Station	Completed. KVLU - FM Radio Financial Statements Together with Auditors' Report August 31, 2019 and 2018, 8-4-2020.
NCAA Agreed-Upon Procedures	Completed. LU NCAA 2019, Independent Accountant's Report on Applying Agreed-Upon Procedures, 3-11-2020.
Special Projects	<ul style="list-style-type: none"> ➤ EthicsPoint #87 - closed within the hotline system. ➤ EthicsPoint #88 - closed within the hotline system. ➤ SAO Hotline Complaint 20-3006 - in progress. ➤ Required Migration to TeamMate+ - in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report. <ul style="list-style-type: none"> ➤ Respond to Open Records Requests
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. <ul style="list-style-type: none"> ➤ Weaver and Tidwell, LLP, NCAA Agreed-Upon Procedures ➤ Mitchell T. Fontenote, CPA, KVLU-FM Radio Station ➤ State Auditor's Office, Fiscal Year 2019 Single Audit Follow-up ➤ State Auditor's Office, Fiscal Year 2020 Single Audit ➤ Comptroller's Office, Fiscal Year 2019 Post Payment Audit ➤ Comptroller's Office, Recovery Audits

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
IT - Logical Access	In progress.
Quality Assurance Review	Completed. Report issued November 2019.
Special Projects	<ul style="list-style-type: none"> ➤ EthicsPoint #24 (through System Administration) - completed: internal memorandum issued 10-15-2019. ➤ Management requested review - CICE: in progress.

**SAM HOUSTON STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Nursing Shortage Reduction Program	Completed. Nursing Shortage Reduction Program - Regular, SHSU-20-002, 2-11-2020.
Study Abroad Follow-up	Completed. Study Abroad Faculty-Led Program Student Refunds, SHSU-20-004, 4-7-2020.
Banner Data Classification and Segregation of Duties	Completed. Banner Data Classification and Segregation of Duties, SHSU-18-006, 8-2-2020.
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
NCAA Agreed-Upon Procedures	Completed. NCAA Financial Statement Compilation (Fiscal Year 2019), SHSU-20-001, 3-11-2020.
Special Projects	<ul style="list-style-type: none"> ➤ SAO Complaint 19-1975 - completed; response submitted to SAO on 5-29-2020. ➤ SAO Complaint 20-0218 - in progress. ➤ Management requested project: Financial Compilation Southland Conference - completed; internal memorandum issued 6-17-2020. ➤ EthicsPoint #80 - in progress. ➤ EthicsPoint #81 - in progress. ➤ EthicsPoint #82 - in progress. ➤ EthicsPoint #83 - closed within the hotline system. ➤ EthicsPoint #84 - closed within the hotline system. ➤ EthicsPoint #85 - closed within the hotline system. ➤ EthicsPoint #86 - closed within the hotline system. ➤ EthicsPoint #87 - closed within the hotline system. ➤ Required Migration to TeamMate+ - in progress.

Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Managed the TeamMate+ Audit Management migration project.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. ➤ Belt Harris Pechacek, LLLP, Charter School ➤ Bickley, Prescott, Webb & Wells, PC, NCAA Agreed-Upon Procedures ➤ Department of Education, Emergency Assistance to Institutions of Higher Education (EAI) program grant review ➤ THECB, AY 2019 2 CFR Part 200 Subpart F - Audit Requirements ➤ State Auditor's Office, Fiscal Year 2020 Single Audit ➤ Comptroller's Office, Recovery Audits ➤ Comptroller's Office, Desk Audit of Promotional Items ➤ Small Business Administration (SBA), Desk Financial Exam

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
IT - Patch Management	Cancelled. Replaced this audit with the Network Security audit scheduled for Fiscal Year 2021.
Other Revenues - Academic Departments	Completed. Management Advisory Letter: Assessment to Identify "Other Revenue" in Academic Departments, SHSU-19-004, 3-5-2020.
Quality Assurance Review	Completed. Report issued November 2019.

**SUL ROSS STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
THECB Facilities Audit	Completed. SRSU THECB Facilities Audit, SRSU 19-006, 10-4-2019.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	<ul style="list-style-type: none"> ➤ EthicsPoint #13 - in progress. ➤ Management requested review: Departmental Operating Environment - completed; internal memorandum issued 10-29-2019. ➤ Required Migration to TeamMate+ - in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. <ul style="list-style-type: none"> ➤ THECB Facilities Peer Review

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Accounts Payable	Cancelled due to management turnover.
Quality Assurance Review	Completed. Report issued November 2019.

TEXAS STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2020 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Leave Reporting	Completed. Leave Reporting, TXST-20-003, 8-2-2020.
P-Cards	Completed. Procurement Card Compliance Audit, TXST-20-002, 8-19-2020.
Laboratory Safety	Deferred to Fiscal Year 2021 Audit and Compliance Plan.
Monitoring of Electronic Access to Physical Structures	Deferred to Fiscal Year 2021 Audit and Compliance Plan.
SaaS Applications	Started - Postponed to Fiscal Year 2021 Due to Incomplete List of Applications
SB 20 - Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
SB 20 - Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2020, 8-31-2020.
Benefits Proportionality	Completed. System-wide report: Benefits Proportionality, 8-31-2020.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage during the first and second quarters of the 2020 fiscal year.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2021 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-24-2019.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	<ul style="list-style-type: none"> ➤ Academic Affairs Faculty Pay Actions - completed; internal memorandum issued 7-1-2020. ➤ Email complaint: Round Rock Employee Activities - completed; internal memorandum issued 3-24-2020. ➤ EthicsPoint #27 (through System Administration) - closed within the hotline system. ➤ EthicsPoint #52 - closed within the hotline system. ➤ EthicsPoint #53 - closed within the hotline system. ➤ EthicsPoint #54 - closed within the hotline system. ➤ EthicsPoint #55 - closed within the hotline system. ➤ EthicsPoint #56 - closed within the hotline system. ➤ SAO referral 19-2726 - response issued 12-6-2019. ➤ Limited review of Endzone Complex activities – completed; internal memorandum issued 12-20-2019. ➤ Required Migration to TeamMate+ - in progress.

Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Gathered information in support of litigation.
Audit Liaison Activities	On-going. Activity does not result in a report issued by the Office of Internal Audit. ➤ Department of Justice ALLERT Grant ➤ US Dept. of Labor - Wage and Hour Division Compliance Investigation ➤ Montemayor Britton Bender, PC, National Transit Database Agreed-Upon Procedures ➤ Rick C. Reed & Company, PLLC, Athletics Agreed-Upon Procedures for year ended August 31, 2019 ➤ Montemayor Britton Bender, PC, Annual Financial Report 2018-2019 ➤ Texas Department of State Health Services Grants 2019 ➤ Rick C. Reed & Company, PLLC, 2019 Football Ticket Sales ➤ The Compliance Group, Athletics Compliance ➤ Haynie and Company on behalf of Justices of the Peace and Constable Association - audit of the Texas Justice Court Training Center, April 2019 - March 2020 ➤ THECB, Compliance Monitoring Audit of the Toward Excellence, Access, and Success (TEXAS) Grant ➤ State Auditor's Office, Fiscal Year 2020 Single Audit ➤ State Auditor's Office Compliance Audit for HUB/State Use Program Requirements ➤ Office of the Governor - program review, Migrant Remains ➤ Texas Court of Criminal Appeals - Compliance Audit of Grant to Texas Justice Court Training Center ➤ Comptroller's Office, Recovery Audits

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2020

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
General IT Controls, Student Affairs	Student Affairs IT General Controls Audit, TXST-19-002, 7-10-2020.
Student Recreation Center	Recreational Sports Fee Audit, TXST-19-003, 9-17-2019.
Quality Assurance Review	Completed. Report issued November 2019.

Special Projects	<ul style="list-style-type: none">➤ School of Art and Design Review - completed; internal memorandum issued 9-12-2019.➤ Department of Accounting, McCoy College of Business Administration - Review of Student Deposit Payments for Sponsored Events - completed; TXST-19-006, 9-17-2019.➤ EthicsPoint #45 - closed within the hotline system.➤ EthicsPoint #48 - completed; internal memorandum issued 10-2-2019.➤ UPD referral - completed; internal memorandum issued 9/12/2019.➤ EthicsPoint #50 - closed within the hotline system.➤ EthicsPoint #51 - in progress.
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III. Consulting Services and Nonaudit Services Completed

The *International Standards for the Professional Practice of Internal Auditing* defines “consulting services” as advisory in nature, generally performed at the specific request of management. The *Government Auditing Standards* define “nonaudit services” as those activities which are not financial audits, attestation engagements, or performance audits. The following bulleted lists represent consulting and nonaudit services conducted during fiscal year 2020:

SYSTEM ADMINISTRATION

- Provided commentary on potential Rule changes for the Board’s consideration and on potential administrative policy changes.
- Prepared the audit delegation request for the TSUS Foundation audit.
- Prepared the audit delegation request for management audit services.
- Researched a variety of issues at management’s request.
- Provided operational insight into information technology questions from executive leadership.
- Maintained the TSUS CPE Sponsorship with the Texas State Board of Public Accountancy as a registered CPE sponsor.
- Assisted components in re-accreditation efforts, and in particular, in assessing audit requirements and the timing of required audits.
- Compiled a summary of audit issues and risks to assist in onboarding of new executive management at two components.
- Monitored pending legislation, particularly related to the CARES Act, and provided feedback when audit implications were present.
- Participated in all TSUS Sexual Misconduct Policy (includes Title IX) task force meetings.
- Facilitated Clery Annual Security Reviews with outside vendor at six campuses.
- Assisted in job posting creation and subsequent onboarding of new compliance officers at two components.

LAMAR COMPONENTS

- Prepared and sent email “blasts” reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Prepared the audit delegation request for LU for the NCAA Agreed-upon Procedures audit for Athletics.
- Prepared the audit delegation request for LU for the KVLU Financial Statement Audit.
- Prepared the audit delegation request for LSCO for financial aid audit services in support of its SACS 5th year review.
- Reviewed and commented on potential administrative policy changes at all components.
- Worked with the State Auditor’s Office to ensure duplicative audit work would not be performed when it announced a planned audit of benefits proportionality at Lamar University. Audit was subsequently cancelled.
- Researched a variety of issues at management’s request at all components.
- Monitored and advised on IT business continuity at all components.
- Advised management on IT systems and applications controls at all components.
- Established monthly meetings with the Associate Provost for the Office of Research and Sponsored Programs at LU to discuss activities or areas of concerns.

SAM HOUSTON STATE UNIVERSITY

- Prepared and sent email “blasts” reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.

- Prepared the audit delegation request for the required NCAA Agreed-Upon Procedures engagement.
- Prepared the audit delegation request for an audit of the financial statements of the SHSU Charter School.
- Researched a variety of issues at management's request.
- Served on the SHSU Safety Committee.
- Served as ex-officio member of the Critical Incident Response Team.
- Provided assistance to the Investigations and Audit Support division of the State Auditor's Office on two investigations.
- Consulted with the Controller's Office regarding compliance activities.
- Consulted with management regarding CARES Act funding implications.
- Updated the SHSU Office of Internal Audit (OIA) informational brochure to educate the SHSU community regarding OIA activities and services offered.
- Performed comparative analysis of external Annual Security Report Assessment to prior internal audit observations.

SUL ROSS STATE UNIVERSITY

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Served on the Risk Management Advisory Committee.
- Worked with UDPS and Texas Rangers on acquiring documentation for presenting charges related to possible theft to the grand jury.
- Provided assistance to the accounting staff and System Administration during preparation of the annual financial report for fiscal year 2019.
- Worked with new Vice President of Enrollment Management on analyzing trends in enrollment history.
- Expedited the University's response to the Space Utilization Audit conducted by the Texas Higher Education Coordinating Board.
- Provided feedback on the revised Standard Operating Procedure for the Meats Lab operations.
- Performed an analysis of access to the University's website.

TEXAS STATE UNIVERSITY

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Prepared the audit delegation request for the NCAA Agreed-upon Procedures audit for Athletics.
- Prepared the audit delegation request for an audit of compliance with the NCAA bylaws for paid football attendance.
- Prepared the audit delegation request for the review of Texas State's financial statements in support of the University's reaccreditation efforts.
- Prepared the audit delegation request for a Federal Student Aid (Title IV) audit and audits of financial aid programs for Fiscal Year 2019.
- Consulted with the Office of Research and Sponsored Programs regarding the audit reports to satisfy SACSCOC.
- Served on the Business Services Council.
- Served as ex-officio member of the Human Resources Stakeholders Team.

IV. External Quality Assurance Review (Peer Review)

Texas Government Code 2102 requires periodic external assessments of the audit function for compliance with applicable professional standards. The following excerpt is the most recent independent external validator's statement regarding the TSUS internal audit function, based on criteria outlined in the Institute of Internal Auditors *Quality Assessment Manual for the Internal Audit Activity*. There are three ratings that can be given. The validator rated the TSUS internal audit function with a "Generally Conforms" rating, which is the best rating available.



Texas State University System

INDEPENDENT VALIDATION OPINION REPORT

QUALITY ASSURANCE SELF-ASSESSMENT REVIEW

November 2019

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OVERVIEW

As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.) and the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*, a quality assurance review (QAR) was conducted of The Texas State University System (System) internal audit activity. The IIA Standards require that internal audit activities obtain an assessment either through an external review or a self-assessment quality assurance review, with an independent validation.

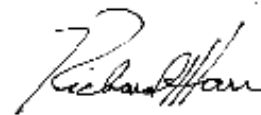
As an independent reviewer, I was engaged to conduct a validation of the self-assessment that was conducted by the System Office of Audits and Analysis. The primary objective of the validation was to independently verify the assertions made in the System's attached self-assessment report regarding adequate fulfillment of the expectations of the IA activity by the Audit and Finance Committee of the Board of Regents and its conformity to the *IIA Standards*. An additional objective was to provide recommendations that the reviewer deems may be of value to the System IA activity. Matters that might have been reviewed and reported on in an external review, such as an in-depth analysis of best practices, governance, and use of advanced technology, were excluded from the scope of this review.

In acting as a validator, I am fully independent of the System and have the necessary knowledge and skills to undertake this engagement. The validation was conducted from November 19 through November 22, 2019. It consisted primarily of a review and testing of the procedures and documented results of the self-assessment conducted by the System's IA review team. It also included a review of a limited sample of various audit workpapers; an evaluation of responses to surveys distributed to System Administration executives, component Presidents and management, and audit staff; and interviews with the audit staff, Finance and Audit Committee Chair of the Board of Regents and the Texas State University System Chancellor.

 **OPINION**

Based upon my interviews, workpaper reviews, and a review of the work conducted by the IA review teams, I concur with the conclusion that the internal audit activity at the System Office of Audits and Analysis (OAA) and the four component locations, the Texas State University, Lamar University, Sam Houston State University, and Sul Ross State University, **generally conforms** to the applicable *IIA Standards* and the Texas Internal Auditing Act.

This opinion, representing the best possible evaluation, means that there are in place the relevant structures, policies, and procedures, including the processes by which they are applied, that comply with the *IIA Standards* and the Texas Internal Auditing Act in all material respects. The workpapers documenting the self-assessment conducted by the System's IA review team showed that the review was appropriately documented by the team and the opinion appears to have been objectively developed.



Richard H. Tarr, CIA, CISA

V. Audit and Compliance Plan for Fiscal Year 2021

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan (“Plan”) for TSUS components and System Administration. 28,925 hours have been budgeted for activities/projects included in the Plan (including travel and administrative time). The TSUS Board of Regents approved the Plan on August 14, 2020.



Office of Internal Audit

Audit and Compliance Plan Fiscal Year 2021



Carole M. Fox, CPA
Chief Audit Executive, Texas State University System

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Director, Texas State University System

Ramona Stricklan, CIA, CFE
Director, Lamar Components

Kelly Blissett, CPA, MBA
Director, Sam Houston State University

Scott Cupp, CIA, CCA
Director, Sul Ross State University

Steven R. McGee, CPA, CIA
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Kelly Wintemute, CCEP, MBA
Compliance Officer, Texas State University System

INTRODUCTION AND PURPOSE

The *Fiscal Year 2021 Audit and Compliance Plan* (“Plan”) documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2021. The Plan satisfies statutory responsibilities outlined in Section 2102.008 of the Texas Government Code, the Texas State University System *Rules and Regulations*, and applicable auditing standards. The number of hours budgeted to perform all activities in the Plan totals 28,925.

Plan Categories

The Plan is divided into three different categories:

- **Statutory Audits and Activities:** Projects required by law for all institutions and System Administration.
- **Risk-Based Functional Areas:** Projects allocated amongst the institutions based on risks identified during the annual risk assessment process and subsequently categorized by functional area. Rather than listing the specific projects to be performed at each institution and System Administration, the Plan identifies the functional areas where projects will be performed. See the section entitled “Risk Assessment Process” below for more information.
- **Other Activities:** Projects required by grant agreements or third parties; consulting and advisory services; special projects such as time-sensitive management-requested reviews or investigations; identification and communication of emerging compliance requirements; liaising with external auditors; and other functions designed to assist management in mitigating risks.

Risk Assessment Process

Because of the increase in the number of statutorily-required projects and activities, audit resources available for risk-based projects have diminished. Therefore, it is critical that such projects focus on areas where independent reviews will provide the most value to the Texas State University System as a whole. In order to identify such projects, the Office of Internal Audit uses a two-phase risk assessment process.

The first phase is the annual risk assessment, used to build this Plan. (Texas Government Code 2102.005 requires audit plans to be developed “*utilizing risk assessment techniques.*”) The collective risk assessments performed at the institutions and System Administration included, but were not limited to, the following:

- Soliciting input from the Board of Regents, the Chancellor, Vice-Chancellors, and Component Presidents and management;
- Consulting with oversight entities regarding emerging concerns;
- Considering national trends within higher education;
- Evaluating materiality;
- Assessing the potential impact of negative public scrutiny; and
- Utilizing professional judgment and knowledge gained from prior projects regarding areas of risk.

The risk assessments considered a myriad of risks, including those associated with the impact of COVID-19, fraud, contract management, benefits proportionality, and information technology (including those associated with Title 1, Texas Administrative Code, Chapter 202, *Information Security Standards*). The risk assessments also considered work performed by external auditors, institutional risk appetites, and activities for which assurance or consulting engagements would be most helpful to management.

Upon completion of the annual risk assessment, identified risks were categorized into various functional areas, such as Financial Management, Academics and Instruction, and Outsourced Services. In creating the functional areas, we considered the various organizational structures within the Texas State University System, the Risk Dictionary classifications created by the *Association of College and University Auditors*, and the functional expense classifications promulgated by the *National Association of College and University Business Officers* for financial statement reporting purposes.

Each functional area contains numerous activities, processes, and operations that could be the subject of an audit. (See Appendix A.) Except for compliance reviews (which are typically conducted on a system-wide basis), the various functional areas and the specific projects selected for review in those functional areas vary amongst the institutions and System Administration depending on the level of risk. For example, a project in the Financial Management functional area at Lamar University could involve an audit of accounts payable, while a project in the Financial Management functional area at Sul Ross State University could involve an audit of accounts receivable. There could be no projects (or multiple projects) in the Financial Management functional area at Sam Houston State University.

The second phase (of risk assessment) occurs when audit resources become available to commence a project in a designated functional area. Although the first phase of the risk assessment provides clear indicators of auditable units that would benefit from review, some units are of higher risk than others, and sometimes, risks identified during the annual risk assessment become mitigated as time passes. Therefore, as project planning begins, we conduct additional assessments to pinpoint the activities best suited for review. This approach affords us the flexibility to ensure emerging risks are timely reviewed.

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee.

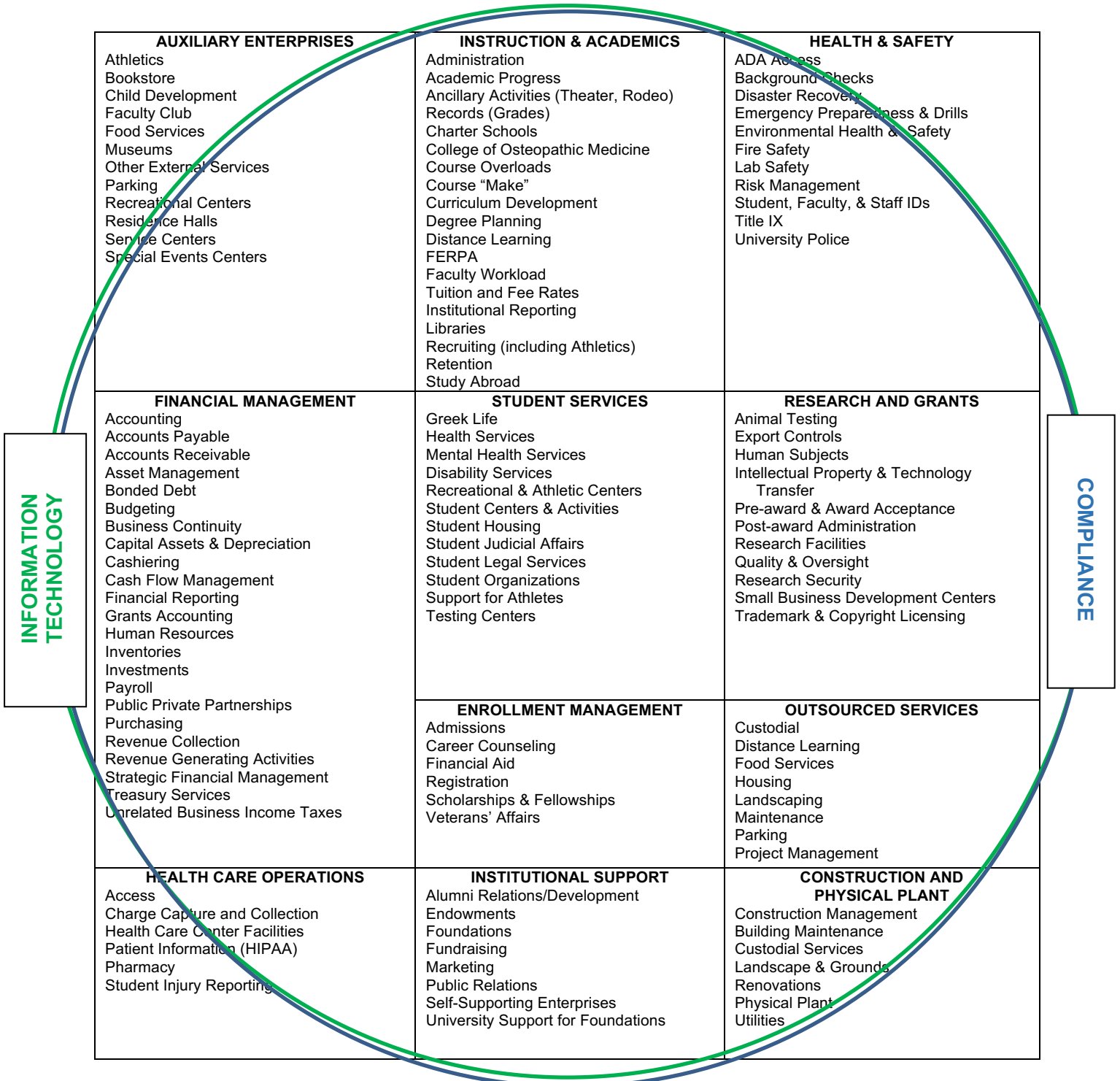
The Plan appears on the following page. Checkmarks, which can represent one or more planned projects, are used to identify the functional areas at individual institutions and System Administration where the Office of Internal Audit plans to devote resources throughout the year.

**TEXAS STATE UNIVERSITY SYSTEM
AUDIT AND COMPLIANCE PLAN
FISCAL YEAR 2021**

STATUTORY AUDITS AND ACTIVITIES								
	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
SB 20 - Annual Review	✓	✓	✓	✓	✓	✓	✓	✓
SB 20 - Contract Administration	✓	✓	✓	✓	✓	✓	✓	✓
Follow-Up Reviews	✓	✓	✓	✓	✓	✓	✓	✓
Annual Risk Assessment and Audit Plan	✓	✓	✓	✓	✓	✓	✓	✓
Annual Internal Audit Report	✓	✓	✓	✓	✓	✓	✓	✓
Continuing Education	✓	✓	✓	✓	✓	✓	✓	✓
RISK-BASED FUNCTIONAL AREAS (See Appendix A)								
CARES (COVID-19) - Students	✓	✓	✓	✓	✓	✓	✓	
CARES (COVID-19) - Institutions	✓	✓	✓	✓	✓	✓	✓	
CARES (COVID-19) - Minority Serving Institutions	✓	✓	✓	✓			✓	
Auxiliary Enterprises				✓				
Instruction and Academic Support		✓	✓					
Health & Safety		✓		✓				
Financial Management	✓	✓	✓	✓	✓			
Student Services								
Enrollment Management		✓	✓	✓				
Research and Grants			✓	✓				
Outsourced Services		✓						
Health Care Operations								
Institutional Support								
Construction and Physical Plant	✓	✓		✓	✓			
Information Technology	✓	✓	✓	✓	✓	✓	✓	✓
Compliance	✓	✓	✓	✓	✓	✓	✓	✓
OTHER ACTIVITIES								
Special Projects	✓	✓	✓	✓	✓	✓	✓	✓
Third-Party Required Projects		✓	✓	✓				
SACSCOC Assistance	✓			✓	✓	✓		
Audit Liaison Activities	✓	✓	✓	✓	✓	✓	✓	✓
Compliance Newsletter	✓	✓	✓	✓	✓	✓	✓	✓

APPENDIX A RISK-BASED FUNCTIONAL AREAS

This chart depicts examples of (but not all) subprocesses/activities within each functional area, many of which overlap. These activities represent potential auditable units; however, some activities inherently have higher risks than others. Finite resources preclude audits of every activity listed, including those known to have higher risks. Therefore, the absence of checkmarks in the Plan for risk-based audits means that no work is planned in the corresponding functional area(s). Information technology and compliance risks surround all of the functional areas and exist within all operations.



VI. External Audit Services Procured in Fiscal Year 2020

- System Administration contracted with the following firms:
 - Calhoun, Thomson + Matza, LLP, for an audit of the TSUS Foundation's financial statements for fiscal year 2019 (audit delegation 758-2020-001).
 - Deloitte & Touche, LLP, for management audit and internal audit services (audit delegation 758-2020-002). No audit deliverables resulted from this contract in 2020.
 - R.L. Townsend and Associates, LLC, for construction audit services (audit delegation 758-2018-002). This contract runs through 2021, with an option to extend an additional year.

- Lamar University contracted with the following firms:
 - Weaver and Tidwell, LLP, for NCAA Agreed-Upon Procedures for the Athletic Department's Statement of Revenues and Expenditures for the fiscal year ended August 31, 2019 (audit delegation 734-2019-002).
 - Mitchell T. Fontenote, CPA, for an audit of KVLU FM Radio Station's fiscal year 2019 financial statements (audit delegation 734-2019-002).

- Lamar State College-Orange contracted with the following firm:
 - Belt Harris Pechacek, LLLP, for a program specific audit of student aid programs for fiscal year 2019 (audit delegation 787-2020-001).

- Lamar Institute of Technology contracted with the following firm:
 - Belt Harris Pechacek, LLLP, for a program specific audit of student aid programs for fiscal year 2019 (audit delegation 789-2019-001).

- Sam Houston State University contracted with the following firms:
 - Bickley, Prescott, Webb & Wells, PC, for the NCAA Agreed-Upon Procedures for the Athletic Department's Statement of Revenues and Expenditures for the fiscal year ended August 31, 2019 (audit delegation 753-2020-01).
 - Belt Harris Pechacek, LLLP, for an audit of the financial statements for the SHSU Charter School for fiscal year ended August 31, 2019 (audit delegation 753-2020-02).

- Texas State University contracted with the following firms:
 - Rick C. Reed & Company, PLLC, for NCAA Agreed-Upon Procedures (audit delegation 754-2020-01).
 - Rick C. Reed & Company, PLLC, for Football Ticket Sales Compliance (audit delegation 754-2020-02).
 - Montemayor Britton Bender, PC, for an audit of the University's annual financial report in support of SACSCOC reaccreditation (audit delegation 754-2020-03).
 - Montemayor Britton Bender, PC, for an audit of Title IV programs in support of SACSCOC reaccreditation (audit delegation 754-2020-04).

VII. Reporting Suspected Fraud and Abuse

The TSUS has taken the following actions to ensure compliance with requirements of Section 7.09, Fraud Reporting, General Appropriations Act (86th Legislature), Article IX, Page IX-37:

- The TSUS contracts with EthicsPoint, an internet-based fraud reporting hotline. On the main webpage for TSUS, there is a link entitled [Report Fraud & Abuse](#), which redirects to the EthicsPoint mechanism for reporting suspected fraud, waste or abuse.

The link also appears on each TSUS component's homepage. Further, each component sends periodic email reminders to its employees regarding confidential avenues for reporting concerns about potential waste, fraud, and abuse of resources; the lack of compliance with laws, regulations, and/or University policies and procedures; or violations of the TSUS's Code of Ethics.

Additionally, there is a link to the State Auditor's fraud reporting hotline on the TSUS webpage and each component's webpage.

Lastly, Texas State University has a local hotline that is monitored by the Office of Internal Audit.

- The TSUS *Rules and Regulations* place specific requirements for employees to report suspected waste, fraud, or abuse and delegates responsibility to the Chief Audit Executive to report such matters to the State Auditor's Office.
- The TSUS is aware of and complies with the requirements of Texas Government Code, Section 321.022, regarding reporting to the State Auditor's Office those situations where a reasonable cause to believe that money received from the state may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred. The TSUS *Rules and Regulations* explicitly state: "Texas State University System, through the Chief Audit Executive, will report suspected fraud or unlawful conduct to the State Auditor's Office (SAO) if he or she knows of facts pointing to fraud or unlawful conduct." The Office of Internal Audit conducts reviews into complaints regarding potential waste, fraud, or abuse (including complaints forwarded to the TSUS by the State Auditor's Office) and provides a written response summarizing the results of those reviews.