THE TEXAS STATE UNIVERSITY SYSTEM

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

Fiscal Year Ending August 31, 2019

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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 2020 Audit and Compliance Plan was approved by the Board on August 22, 2019 and has been posted as required.

- Posting this *Internal Audit Annual Report for Fiscal Year 2019* 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.

The TSUS Office of Internal Audit reserves the right to not post information contained in the internal 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 2019

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan ("the Plan") for System Administration and its components. The following is an excerpt listing all projects included in the Plan for fiscal year 2019, 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.

SYSTEM ADMINISTRATION
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Hazlewood	In progress.
Leave Reporting	Not performed. Finite resources and higher risk or mandated projects resulting from the annual risk assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
General Data Protection Regulation (GDPR)	During project planning, an analysis indicated GDPR applied to .78% to 1.86% of students and staff and was therefore deemed low risk. Project cancelled due to higher risk projects requiring compliance resources.
Title IX	Cancelled due to Federal Title IX requirements remaining in flux in fiscal year 2019.
TSUS Policy Alignment	In progress.
Construction Audits (OUTSOURCED)	In progress.
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 2019, 8-30-2019.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Multi-hazard Emergency Operations Plan; Safety and Security Review	Completed. Management Advisory Letter – TSUS Compliance Review – Multi-Hazard Emergency Operations Plan, 8-15-2019.
GAO Auditing Standards Revisions	In progress. Activity does not result in a written report.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	➢ Management requested review – completed; RGC Appropriation Transfer Timeline, email issued to President 10-9-2018. ➢ EthicsPoint #22 – referred to appropriate authorities; closed within the hotline system. ➢ EthicsPoint #23 – completed; summarized results within the hotline system. ➢ Respond to multiple Open Records Requests – completed.
SACSCOC Assistance	On-going. Activity does not result in a report.
Response to System Requests	On-going. Activity does not result in a report.
Component Audit Assistance	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report.
System-wide Equal Employment Opportunity (EEO)Training	Project cancelled due to higher risk on-line training projects in development and the availability of on-line EEO training through the Texas Workforce Commission.
Compliance Program Development	On-going. Activity does not result in a report.
Compliance Newsletter	Completed. Newsletters issued in November 2018, February 2019, May 2019, and August 2019.
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 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Title IX	Management Advisory Letter – TSUS Compliance Review – Title IX Employee Training, 4-10-2019.
Construction Audits	Retama Hall Renovations Construction Audit Services, 9-5-2018.

LAMAR INSTITUTE OF TECHNOLOGY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Inventory Special Project	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	Management requested review – completed; Management Advisory Letter LIT-19-001, Limited Review of Information Technology Logical Access, 5-17-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (EEOC review by the Texas Workforce Commission)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Special Projects	Management Advisory Letter LIT-18-004, SkillsUSA Student Organization, 12-21-2018.
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-20-2018.

LAMAR STATE COLLEGE - ORANGE
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Physical Security	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	EthicsPoint #3 – completed; internal memorandum issued 7-1-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Formula Funding and Comptroller Desk Review of Promotional Items)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-19-18.

LAMAR STATE COLLEGE - PORT ARTHUR
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Physical Security	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT – Patch Management	Completed. Management advisory letter issued to management 5-7-2019.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
THECB Facilities Audit	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	EthicsPoint #7 – completed; internal memorandum issued 4-25-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Formula Funding and THECB Facilities Follow-up)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-19-2018.

LAMAR UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Grants Management	Cancelled due to multiple personnel and process changes. Internal Audit continues to monitor this area and will continually reassess risks for consideration for future audit. Additionally, certain grant activity is being reviewed under a special project.
IT – Logical Access	In progress.
IT – Network Management	Cancelled due to an infrastructure update to the network. Internal Audit will monitor the progress of this update and will reassess risks for consideration for future audit.
IT – Server Management	Completed. Server Management & Active Directory, LU-18-004, 7-2-2019.
IT – On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
KVLU-FM Radio Station	In progress.
NCAA Agreed-Upon Procedures	Completed. Lamar University Final AUP Report, 1-23-2019
Special Projects	➢ Management requested review – completed; Nursing Shortage Reduction Regular Program Audit for FY 2015 Award, LU-19-001, 2-26-2019. ➢ Walk-in complaint – completed; employee interviews, referred to appropriate authorities. ➢ EthicsPoint #84 - insufficient information; closed within the hotline system. ➢ EthicsPoint #85 – in progress. ➢ EthicsPoint #86 – completed; summarized results within the hotline system. ➢ Respond to multiple Open Records Requests – completed. ➢ Management requested review – in progress; CICE Review.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.

Audit Liaison Activities	On-going. Activity does not result in a report. (NCAA Agreed-Upon Procedures, KVLU Financial Statement Audit, EEOC review by the Texas Workforce Commission, and Comptroller Desk Review of Promotional Items)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-18-2018.
KVLU-FM Radio Station	KVLU FS 2017 Final, 9-24-2018.
NCAA Agreed-Upon Procedures	LU NCAA 2017, 9-25-2018.
Special Projects	➢ Management Advisory Letter LU-16-001, Counseling and Special Populations Department, 9-14-2018. ➢ Management Advisory Letter LU-18-006, Comprehensive Exams, 11-26-2018. ➢ Management Advisory Letter LU-18-008, Hiring Concern, 1-23-2019.

SAM HOUSTON STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Department of Agricultural Sciences	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
Facilities Management	Postponed. Management Advisory Letter SHSU-19-003, Audit of Facilities Management Select Processes, 4-11-2019.
Financial Reporting – IT Integrated	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
IT – Patch Management	In progress.
Other Revenues – Academic Departments	In progress.
IT – Project Management and System Development Methodology	Postponed. Audit to be planned after SHSU Prioritization and Communication Process matures and the project management and system development life cycle methodologies / standards have been formalized.
IT – Blackboard Learning Management System	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, SHSU-19-002, 10-26-2018.
NCAA Agreed-Upon Procedures	Completed. SHSU-19-001, NCAA Financial Statement Compilation for FY 2018, 1-30-2019.
Special Projects	➢ DELTA Trailer review - completed; activity did not result in a written report. ➢ Hazlewood Legacy Review - completed; response provided to the Texas Higher Education Coordinating Board on 3-19-2019. ➢ EthicsPoint #72 – completed; summarized results within the hotline system.

	➢ EthicsPoint #73 – completed; summarized results within the hotline system. ➢ EthicsPoint #74 – completed; summarized results within the hotline system. ➢ EthicsPoint #75 – completed; summarized results within the hotline system. ➢ EthicsPoint #76 – completed; summarized results within the hotline system. ➢ EthicsPoint #77 – completed; issued an internal memorandum on 6-10-2019. ➢ EthicsPoint #78 – in progress. ➢ EthicsPoint #79 – completed; issued an internal memorandum on 6-6-2019. ➢ COBA Review – completed; referred to State Auditor's Office. ➢ THECB complaint regarding COE – in progress.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (Comptroller Desk Review of Promotional Items, Department of Education, National Science Foundation, Comptroller Post Payment Audit, Comptroller Excise Tax Audit, THECB B-on-Time Audit, Department of Justice)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
IT – Change Management Process	Banner Change Management, SHSU-18-004, 2-4-2019.
State Auditor's Office Hotline Complaint: 18-2987	Response provided to State Auditor's Office on 11-21-2019.

SUL ROSS STATE UNIVERSITY AND RIO GRANDE COLLEGE
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Enrollment Management	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
Accounts Payable	In progress.
Meats Lab	Completed. ANRS Meats Lab, SRSU-19-003, 4-9-2019.
Capital Projects/Construction	Not performed due to complete turnover in the department. Internal Audit will reevaluate audit timing during the fiscal year 2020 risk assessment.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
THECB Facilities Audit	Completed. SRSU THECB Facilities Audit, SRSU 19-006, 10-1-2019.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, SRSU-19-001, 10-26-2018.
Special Projects	➢ Management requested review – completed; Timekeeping/dual employment review; internal memorandum issued 5-16-19. ➢ Management requested review – completed; Post Office review; internal memorandum issued 8-28-2018.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Facilities Audit and Peer Review Team)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Purchasing	Purchasing, SRSU-17-007, 1-30-2019.

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STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Laboratory Safety	Not performed. Carried forward to 2020 Audit and Compliance Plan.
Research Compliance	Not performed. Carried forward to 2020 Audit and Compliance Plan.
SaaS Applications	Not performed. Carried forward to 2020 Audit and Compliance Plan.
General IT Controls, Student Affairs	In progress.
Student Recreation Center	In progress.
Monitoring of Electronic Access to Physical Structures	Not performed. Carried forward to 2020 Audit and Compliance Plan.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
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 2020 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, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, TXST-19-001, 10-26-2018
Special Projects	➢ Walk-in complaint – completed; Timekeeping Review, Dean of Liberal Arts; email issued to Provost, 9-7-2018. ➢ Walk-in complaint – completed; Review of Musical Theatre; summary provided to President, Provost, and Dean, 10-3-2018. ➢ Respond to Open Records Request – completed. ➢ Management requested review – completed; Management Advisory Letter TXST-19-004, Office of Disability Services – Review of Procurement Card Purchases and Other Expenditures, 5-17-2019. ➢ UPD notification review – completed; Management Advisory Letter TXST-19-005, Department of Athletics – Review of Procedures Relating to Selected Cash Travel Advances, 6-21-2019. ➢ EthicsPoint #21 – in progress.

	➢ EthicsPoint #43 – completed; summarized results within the hotline system. ➢ EthicsPoint #44 – referred to appropriate authorities; closed within the hotline system. ➢ EthicsPoint #45 – in progress. ➢ EthicsPoint #46 – insufficient information; closed within the hotline system. ➢ EthicsPoint #49 – completed; summarized results within the hotline system. ➢ Management requested review – completed; Review of Study Abroad, TXST to Canterbury Program; email issued to Associate VP for Academic Affairs, 12-19-2018. ➢ Hotline call – completed; Review of School of Music; email issued to VP for Academic Affairs, Associate VP for Academic Affairs, Dean, and Director, 2-20-2019. ➢ Management requested review – completed; Timekeeping Review, Utilities Department; internal memorandum issued 8-16-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➢ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Teacher Quality, Institute of Criminal Justice, Comptroller Prompt Payment Audit, Comptroller Sales Tax, State Auditor's HUB audit)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Compliance with Research Agreements	Compliance with Research Agreements, TXST-18-005, 5-17-2019.
Travel Expenditures	Travel Expenditures, TXST-18-006, 5-17-2019.
EHSRM Key Positions	Environmental Health, Safety, and Risk Management Key Safety Positions, TXST-18-004, 6-4-2019.

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 2019:

SYSTEM ADMINISTRATION

- Provided commentary on potential Rule changes for the Board's consideration and on potential administrative policy changes.
- Prepared audit delegation requests for multiple projects across the TSUS.
- Researched a variety of issues at management's request.
- 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.
- Performed a review of the Rio Grande College Library Expansion Transfer.
- Assisted System Administration in its efforts to obtain a historic tax credit for O. Henry Hall.
- Compiled a summary of audit issues and risks to assist in onboarding of new executive management at a component.
- Monitored pending legislation and provided feedback when audit implications were present.

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.
- Presented information on internal controls and audit observations at Lamar University departmental meetings within a specific college.
- Presented information on the Office of Internal Audit and reviewed high level results of certain projects at the Lamar University Council of Instructional Deans.
- Prepared audit delegation requests for external audit services at Lamar University and Lamar Institute of Technology.
- Consulted with Lamar University Risk Management on certain safety issues and concerns identified during the risk assessment process.
- Participated in discussions and meetings related to new ticketing system proposals for Lamar University.
- Participated in discussions regarding considerations for security of Lamar University nursing building.
- Reviewed and commented on potential administrative policy changes at all components.
- Reviewed and commented on draft nepotism form for Lamar University.
- Researched a variety of issues at management's request at all components.
- Provided assistance and advised Lamar Institute of Technology/Lamar State College Port Arthur Information Security Officer on certain considerations for Ellucian cloud contracts.
- Consulted with Lamar State College Port Arthur and Lamar Institute of Technology management on project upgrading infrastructure and procedures at Lamar Institute of Technology
- Monitored and advised on IT business continuity at all components.
- Advised management on IT systems and applications controls at all components.

- Participated in informational meetings with vendor providing application for more efficient processing and tracking of grants through Lamar University's Office of Research and Sponsored Programs.
- Participated in discussions and meetings involving time and effort reporting at Lamar University.

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- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Prepared hotline posters for distribution on the campus.
- Prepared audit delegation request for the review of the updated pro forma for the SHSU College of Osteopathic Medicine as required by the accreditation body.
- Researched a variety of issues at management's request.
- Presented results of procurement card and purchasing transaction analysis to Procurement and Business Services to demonstrate data analytics software capabilities.
- Served on the SHSU Safety Committee.
- Provided assistance to the Investigations and Audit Support division of the State Auditor's Office on an investigation.
- Consulted with the Controller's Office regarding compliance activities.
- Gathered information regarding the Pay It Forward SHSU student organization at the request of the President and consulted with the Division of Student Affairs.
- Consulted with the Office of Admissions regarding Governor Abbott's college admissions process assessment.

SUL ROSS STATE UNIVERSITY AND RIO GRANDE COLLEGE

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Served as Secretary to SRSU President's Select Task Force on Efficiencies and Innovation.
- Served on Risk Management Advisory Committee.
- Served on Cash Handling and Elimination Committee.
- Performed data analysis of certain salary information.
- Worked with UDPS and Texas Rangers on acquiring documentation for presenting charges related to possible theft to the grand jury.
- Prepared accounting services recommendations for incoming Vice President of Accounting and Finance.

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.
- Provided assistance in determining the appropriate scope of and obtaining audit services for a grant from the Cancer Prevention and Research Institute of Texas.
- Prepared audit delegation request for the review of Texas State's financial statements in support of the University's reaccreditation efforts.
- Prepared audit delegation request for the agreed-upon procedures review of Texas State's National Transit Database participation.
- 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. A peer review for fiscal years 2017-2019 is underway as of the date of this report.

Texas State University System

INDEPENDENT VALIDATION OPINION REPORT

QUALITY ASSURANCE

SELF-ASSESSMENT REVIEW

September 2016

Prepared by:
Richard Tarr, CIA, CISA
3035 Dawley Avenue
Orlando, FL 32806
Ph: 407.896.2760
E-mail: rtarr@racar.com

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. The Texas State University System internal audit activity (IA) had an external review in 2013 and chose to conduct a self-assessment quality assurance review with an independent validation in 2016.

As an independent reviewer, I was engaged to conduct an independent validation of that self-assessment. 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 basic expectations of the IA activity 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 validator, I am fully independent of the System and have the necessary knowledge and skills to undertake this engagement. The validation was conducted from August 29th through September 1st, 2016. 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

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 component institutions, **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. A review of 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 2020

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan ("the Plan") for TSUS components and System Administration. 26,005 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 22, 2019.

THE TEXAS STATE UNIVERSITY SYSTEM

Office of Internal Audit

Audit and Compliance Plan
Fiscal Year 2020

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

Charles Gregory, CISA, CGEIT
Associate Director, Texas State University System

Ramona Stricklan, CIA, CFE
Audit Director, Lamar Components

Kelly Bielamowicz, CPA, MBA
Audit Director, Sam Houston State University

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

Steven R. McGee, CPA, CIA
Audit Director, Texas State University

Kelly Wintemute, CCEP, MBA
Compliance Officer, Texas State University System

INTRODUCTION AND PURPOSE

The *Fiscal Year 2020 Audit and Compliance Plan* ("the Plan") documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2020. 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 26,005.

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. The presentation of these projects is different than in prior years: 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 Processes" 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 Processes

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 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 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 2020

STATUTORY AUDITS AND ACTIVITIES								
	LU	**SHSU**	**SRSU**	**TXST**	**LIT**	**LSCO**	**LSCPA**	**System Administration**
SB 20 – Annual Review	✓	✓	✓	✓	✓	✓	✓	✓
SB 20 – Contract Administration	✓	✓	✓	✓	✓	✓	✓	✓
Benefits Proportionality	✓	✓	✓	✓	✓	✓	✓	✓
Quality Assurance Review	✓	✓	✓	✓	✓	✓	✓	✓
Follow-Up Reviews	✓	✓	✓	✓	✓	✓	✓	✓
Annual Risk Assessment and Audit Plan	✓	✓	✓	✓	✓	✓	✓	✓
Annual Internal Audit Report	✓	✓	✓	✓	✓	✓	✓	✓
Continuing Education	✓	✓	✓	✓	✓	✓	✓	✓
RISK-BASED FUNCTIONAL AREAS (See Appendix A)								
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 check-marks 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 in all operations.

INFORMATION TECHNOLOGY

COMPLIANCE

AUXILIARY ENTERPRISES	INSTRUCTION & ACADEMICS	HEALTH & SAFETY
Athletics Bookstore Child Development Faculty Club Food Services Museums Other External Services Parking Recreational Centers Residence Halls Service Centers Special Events Centers	Administration Academic Progress Ancillary Activities (Theater, Rodeo) Records (Grades) Charter Schools College of Osteopathic Medicine Course Overloads Course "Make" Curriculum Development Degree Planning Distance Learning FERPA Faculty Workload Tuition and Fee Rates Institutional Reporting Libraries Recruiting (including Athletics) Retention Study Abroad	ADA Access Background Checks Disaster Recovery Emergency Preparedness & Drills Environmental Health & Safety Fire Safety Lab Safety Risk Management Student, Faculty, & Staff IDs Title IX University Police
FINANCIAL MANAGEMENT	**STUDENT SERVICES**	**RESEARCH AND GRANTS**
Accounting Accounts Payable Accounts Receivable Asset Management Bonded Debt Budgeting Business Continuity Capital Assets & Depreciation Cashiering Cash Flow Management Financial Reporting Grants Accounting Human Resources Inventories Investments Payroll Public Private Partnerships Purchasing Revenue Collection Revenue Generating Activities Strategic Financial Management Treasury Services Unrelated Business Income Taxes	Greek Life Health Services Mental Health Services Disability Services Recreational & Athletic Centers Student Centers & Activities Student Housing Student Judicial Affairs Student Legal Services Student Organizations Support for Athletes Testing Centers	Animal Testing Export Controls Human Subjects Intellectual Property & Technology Transfer Pre-award & Award Acceptance Post-award Administration Research Facilities Quality & Oversight Research Security Small Business Development Centers Trademark & Copyright Licensing
	ENROLLMENT MANAGEMENT	**OUTSOURCED SERVICES**
	Admissions Career Counseling Financial Aid Registration Scholarships & Fellowships Veterans' Affairs	Custodial Distance Learning Food Services Housing Landscaping Maintenance Parking Project Management
HEALTH CARE OPERATIONS	**INSTITUTIONAL SUPPORT**	**CONSTRUCTION AND PHYSICAL PLANT**
Access Charge Capture and Collection Health Care Center Facilities Patient Information (HIPAA) Pharmacy Student Injury Reporting	Alumni Relations/Development Endowments Foundations Fundraising Marketing Public Relations Self-Supporting Enterprises University Support for Foundations	Construction Management Building Maintenance Custodial Services Landscape & Grounds Renovations Physical Plant Utilities

VI. External Audit Services Procured in Fiscal Year 2019

- System Administration contracted with the following firms:
  - Deloitte & Touche, LLP, for management audit and internal audit services (audit delegation 758-2019-002). No audit deliverables resulted from this contract in 2019.
  - Calhoun, Thomson + Matza, LLP, for an audit of the TSUS Foundation's financial statements (audit delegation 758-2019-001).
  - 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. No audit deliverables resulted from this contract in 2019.
  - Novogradac & Company, LLP for an audit of the Texas Historic Preservation Tax Credits Schedule for O. Henry Hall (audit delegation 758-2019-003).

- Lamar University contracted with the following firms:
  - Weaver and Tidwell, LLP NCAA Agreed-Upon Procedures for the Athletic Department's Statement of Revenues and Expenditures for the fiscal year ended August 31, 2018 (audit delegation 734-2018-001).
  - Mitchell T. Fontenote, CPA, for an audit of KVLU FM Radio Station's fiscal year 2018 financial statements (audit delegation 734-2018-001).
  - Belt Harris Pechacek, LLLP for financial statement audit services for the fiscal year ending August 31, 2018 (audit delegation 734-2017-003).

- 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, 2018 (audit delegation 753-2019-001).
  - Beall Barclay & Company, PLC, for agreed-upon procedures related to the schedule of forecasted cash receipts and disbursements for the College of Osteopathic Medicine for fiscal years 2019-2029 (audit delegation 753-2019-002).

- Texas State University contracted with the following firms:
  - Montemayor Britton Bender, PC, to conduct a review of the University's Cancer Prevention Research Institute of Texas (CPRIT) Program for fiscal year 2018 (audit delegation not obtained).
  - Montemayor Britton Bender, PC, for an audit of the schedule of expenditures of federal awards for the Student Financial Assistance Cluster for the year ended August 31, 2018 in connection with the University's reaccreditation efforts (audit delegation 754-2019-001).
  - Montemayor Britton Bender, PC, to perform agreed-upon procedures on financial data for the Federal Transit Administration (FTA) as set forth in its 2018 National Transit Database Policy Manual for Reduced Reporters, for the fiscal year ended August 31, 2018 (audit delegation 754-2019-002).

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, 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 System'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.