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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. Sam Houston State University (SHSU) Office of Audits & Analysis ensures compliance with Section 2102.015 through the following procedures:

- Posting its Annual Audit Plan for SHSU to the Audits & Analysis page of the SHSU website within 30 days after formal approval by the Board of Regents. The SHSU Fiscal Year 2016 Audit Plan has already been posted.

- Posting its Internal Audit Annual Report for Fiscal Year 2015 to the Audits & Analysis page of the SHSU website within 30 days of distributing the report to the Finance & Audit Committee of the TSUS Board of Regents.

- Included in the quarterly board materials, posted on the SHSU website, a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by audit plan projects and a detailed summary of the action taken by management to address resultant recommendations.

- The SHSU Office of Audits & Analysis retains the right to not post information contained in the internal audit plan, audit reports, or Internal Audit Annual Report if the information is exempt from public disclosure under Chapter 552 of the Texas Government Code.
II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

Rider 8, page III-39, of the General Appropriations Act (84th Legislature, Conference Committee Report) requires each higher education institution, excluding public community/junior colleges, to conduct an internal audit of benefits proportional by fund using a methodology approved by the SAO. Below is a summary of the provisions of that rider.

The rider requires the following:

- The audit must be conducted using the methodology approved by the SAO.
- The audit must examine fiscal years 2012 through 2014.
- Higher education institutions must submit a copy of the audit report to the Legislative Budget Board, the Comptroller of Public Accounts, and the SAO no later than August 31, 2016.
- If the audit identifies that the institution received excess General Revenue due to noncompliance with the proportionality requirements provided by Section 6.08, page IX-27, the General Appropriations Act (84th Legislature, Conference Committee Report), the institution must submit a reimbursement payment to the Comptroller of Public Accounts within two years from the conclusion of the audit.
- If institutions have previously conducted reviews of benefits proportionality using a methodology approved by the State Auditor’s Office, the State Auditor may waive the requirement that additional audits be conducted.
- Higher education institutions must consider audits of benefits proportionality when developing their annual internal audit plans for fiscal years 2016 and 2017.

In compliance with the rider requirements, the State Auditor’s Office prescribed the following methodology for higher education institution internal audits of benefits proportional by fund, as follows:

“These guidelines represent the minimum requirements and do not preclude an entity from incorporating additional procedures in its audit(s). The methodology for the higher education institution benefits proportional internal audit should, at a minimum, comply with Texas Government Code, Section 2102.011, and include the following areas:

- Ensuring that (a) payments for benefits that are paid from appropriated funds are made proportionately from the same source as the related salaries and (b) salaries paid from General Revenue funds are related to positions authorized for General Revenue funds.
- Reviewing salary expense transfers and refunds of expenditure transactions to verify that, if the higher education institution reduced salary expenditures from General Revenue, it also made a corresponding reduction in benefit expenditures from General Revenue.
- Disclosing in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public Accounts.
- In addition, the audit report must include a statement certifying that the audit incorporated the methodology prescribed by the SAO.

The scope of the audit(s) should include fiscal years 2012 through 2014.”
In February 2014, prior to Governor Perry’s letter requesting reviews of benefits proportionality, System Administration executive management began assessing its benefit proportionality practices and made inquiries of the Office of Audits & Analysis (OAA) about the feasibility of performing a benefits proportionality review as a “management request” project. The assessment and resultant request were the result of news reports regarding possible benefits proportionality issues at another Texas institution of higher education.


**Program: Planning Steps**

<table>
<thead>
<tr>
<th>Procedure Title</th>
<th>Purpose</th>
<th>Planned Procedures</th>
</tr>
</thead>
</table>
| Understand Key Objectives and Risks of the Audit Area| Determine key objectives and key risks in the area that is being audited. The audit will cover Fiscal Years 2011, 2012, and 2013. | 1. Review audit report to gain an understanding of the area and of any potential issue(s).  
2. Review the Benefits Proportionality instructions on Comptroller’s website (handouts provided to each Component Audit Director). |
| Clarify Business Operations/Processes                | To gain a better understanding of processes and procedures in place for the area being audited. | 1. Search for and review any UPPS, PPS, TSUS Rules and Regulations, Texas Government/Education Code, TAC, etc. that are applicable to the audit area (handouts provided to each Component Audit Director).  
2. Obtain a description/narrative from the institution describing how they ensure benefits proportionality by fund and evaluate for propriety. |
## Program: Fieldwork

<table>
<thead>
<tr>
<th>Procedure Title</th>
<th>Purpose</th>
<th>Planned Procedures</th>
</tr>
</thead>
</table>
| Determine accuracy and completeness of the benefits proportionality information | To determine the accuracy and completeness of information included in the reported documents prepared for benefits proportionality by fund. | Request and obtain the following:  
  - data dump using the State Internet Reporting System (SIRS) including deposits and expenses for the Component's Fund 0001 and General Revenue Dedicated (GRD) Fund (ex. 0256 for Lamar).  
  - detailed information on deposits to Fund 0001 from USAS (some will only be correcting entries)  
  - detailed information on deposit to the GRD Fund (some will only be correcting entries)  
  - Information about any dialogs with their Appropriations Control Officer (ACO) regarding any transactions to their GR and GRD accounts since the news story broke (approx. Jan. 2014), especially anything unusual.  
  
  Determine whether any local funds were deposited/transferred to Fund 0001.  
  - If not, this part of the review is considered complete.  
  If so, determine whether deposited/transferred funds were used for wages/salaries.  
  - If not, this part of the review is considered complete.  
  If so, determine whether the institution excluded these wages/salaries in calculating benefits due from State of Texas.  
  
  Obtain and review USAS Reconciliations for completeness and accuracy. Identify reconciling items and ensure supporting documentation is available.  
  
  Obtain the APS 011 Report for FY 2011, 2012, and 2013. Review the report for completeness and accuracy, according to the Comptroller’s guidelines and GAA Article IX Sec 608.  
  
  Compare general revenue report to the state appropriation in the General Appropriations Act.  
  
  Compare the proportional benefits calculated in APS 011 to the SAP/Banner general ledger and USAS ledger. Investigate any differences.  
  [Note: benefits calculated in the APS 011 report should agree with the appropriated amount and to actual benefits paid, as recorded in the general ledger.]  
  
  Verify that appropriate adjustments were made to accomplish proportionality of benefits funding.  
  
  Report any excess benefits paid by GR. |
<table>
<thead>
<tr>
<th>Procedure Title</th>
<th>Purpose</th>
<th>Planned Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify GR Eligible Employees</td>
<td>To identify employees who are paid from the general revenue fund during FY 2011, 2012, and 2013.</td>
<td>Map the employees whose salary is paid by GR to the corresponding department. Determine whether these employees are GR eligible employees. Investigate any employees who are within ineligible departments (e.g., auxiliary services, athletics, and federally sponsored programs). Of the employees paid from the general revenue fund, select a sample of employees paid with GR funds and determine if the employee is actually eligible for state appropriated salaries.</td>
</tr>
</tbody>
</table>

A status report on the review for all TSUS components was provided to the Governor’s Office on November 14, 2014, with a subsequent final report issued to the Governor’s Office, the Legislative Budget Board, the State Auditor’s Office, and the Sunset Commission on February 25, 2015. The report noted no exceptions for SHSU.

The 2016 Audit Plan approved by the Board of Regents in August 2015 includes reviews of benefits proportionality for fiscal years 2012, 2013, and 2014, even though reviews of 2012 and 2013 had been performed and a report issued. This was necessary because the deadline for submitting items (i.e., the 2016 Audit Plan) for inclusion in the August Board meeting materials occurred prior to communication from the State Auditor’s Office (SAO) regarding its review methodology and waiver procedures. The SAO designated contact manager subsequently advised that the waiver provisions could be addressed by a certification in this report that the SAO’s methodology was used for the benefits proportionality reviews for fiscal years 2012 and 2013. The contact manager also advised that the previously issued report on benefits proportionality did not need to be re-issued to include the certification prescribed by the methodology.

Therefore, this certifies that the reviews of benefits proportionality conducted for fiscal years 2012 and 2013 incorporated the methodology prescribed by the SAO. The 2016 Audit Plan will be modified to remove the benefits proportionality reviews for fiscal years 2012 and 2013.
III. Internal Audit Plan for Fiscal Year 2015

The Office of Audits & Analysis prepares a consolidated audit plan for System Administration and its Components. The following is an excerpt applicable to Sam Houston State University, listing all projects (not only audits) included in the 2015 Audit Plan, amended to include report titles, report numbers, and dates issued to external oversight entities, and whether the projects were completed (if a project was not completed, the current status of the project is reported). Not all projects resulted in the issuance of a report.

There were no deviations from the Fiscal Year 2015 Audit Plan as submitted in the *Internal Audit Annual Report* for fiscal year 2014 on October 27, 2014.
<table>
<thead>
<tr>
<th>Audit/Activity</th>
<th>Report Titles, Report Numbers, and Dates Issued to External Oversight Entities</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportionality of Benefits</td>
<td>Benefits Proportionality February 25, 2015</td>
<td>Report Issued (System-wide)</td>
</tr>
<tr>
<td>Follow-up on Public Funds Investment Act Compliance</td>
<td>TSUS-Follow-up on Public Funds Investment Act Compliance August 31, 2015</td>
<td>Report Issued (System-wide)</td>
</tr>
<tr>
<td>Response to System Requests</td>
<td>Not applicable. Activity does not result in a report.</td>
<td>On-going</td>
</tr>
<tr>
<td>Additional Pay Review</td>
<td>SHSU Closeout of 2015 Audit Projects July 22, 2015</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Research Protocol Compliance</td>
<td>Not applicable.</td>
<td>Audit deferred to 2016 Audit Plan.</td>
</tr>
<tr>
<td>ADA Compliance Review</td>
<td>SHSU Closeout of 2015 Audit Projects July 22, 2015</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Review of Economic Development Initiatives Department – General Business Processes</td>
<td>Not applicable.</td>
<td>In Progress</td>
</tr>
<tr>
<td>IT – Data Center Environment and Physical Security</td>
<td>Not applicable.</td>
<td>Audit deferred to 2016 Audit Plan.</td>
</tr>
<tr>
<td>IT – Banner Data Classification and Segregation of Duties</td>
<td>Not applicable.</td>
<td>Audit deferred to 2016 Audit Plan.</td>
</tr>
<tr>
<td>IT – IT Projects</td>
<td>SHSU Closeout of 2015 Audit Projects July 22, 2015</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Audit/Activity</td>
<td>Report Titles, Report Numbers, and Dates Issued to External Oversight Entities</td>
<td>Current Status</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Quarterly Investment Reports</td>
<td>Review of FY 2014 Quarterly Investment Reports, SHSU-15-012, October 9, 2015</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Joint Admission Medical Program (JAMP) Grants</td>
<td>SHSU Appropriateness of Joint Admission Medical Program (JAMP) Expenditures, SHSU-15-002, November 18, 2014</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Follow-Up Procedures</td>
<td>Not applicable. Results of follow-up work are included in quarterly status reports presented to the Board via inclusion in Board meeting materials (November, February, May, and August).</td>
<td>On-going</td>
</tr>
<tr>
<td>Annual Internal Audit Report</td>
<td>Internal Audit Annual Report, Sam Houston State University, Fiscal Year Ending August 31, 2014, October 27, 2014</td>
<td>Report Issued</td>
</tr>
<tr>
<td>Continuing Education</td>
<td>Not applicable. Activity does not result in a report.</td>
<td>Completed</td>
</tr>
<tr>
<td>Special Projects</td>
<td>EthicsPoint – College of Criminal Justice Funding Deficit, SHSU-15-005, September 21, 2015&lt;br&gt;Three other EthicsPoint complaints were filed in fiscal year 2015.</td>
<td>Report Issued&lt;br&gt;No reports were issued as a result of these reviews and the complaints were subsequently closed out in the EthicsPoint reporting system.</td>
</tr>
<tr>
<td>Audit Liaison Activities</td>
<td>Not applicable. Activity does not result in a report.</td>
<td>On-going</td>
</tr>
</tbody>
</table>
IV. Consulting Services and Nonaudit Services Completed

Per the *International Standards for the Professional Practice of Internal Auditing*, “consulting services” are advisory in nature, and are generally performed at the specific request of an engagement client. The *Government Auditing Standards* define nonaudit services as those activities which are not financial audits, attestation engagements, or performance audits.

The following bulleted list represents consulting and nonaudit activities performed during fiscal year 2015:

- Compiling documents responsive to Open Records Requests (ORR) filed through the General Counsel at Sam Houston State University.
- Participating in quarterly TSUS Component audit directors’ meetings.
- Participating in the annual Texas Association of College and University Auditors conference.
- Participating in various depository institution planning and implementation meetings.
- Continuous risk evaluation of the management and security of information resources and related activities through the ongoing IT Policy Compliance Review follow-up activities.
- Evaluating risks and researching audit procedures for upcoming audits.
- Communicating with executive management on audit-related and other high risk issues.
- Attending a campus safety webinar.
- Consulting with executive management regarding a Program Review conducted by the U.S. Department of Education.
- Reviewing and commenting on SHSU’s proposal submitted to the Board to increase laboratory fees for courses in the College of Sciences.
V. External Quality Assurance Review (Peer Review) Executive Summary

The following is the executive summary of the report resulting from the most recent external quality assurance review (peer review) performed by Richard Tarr. The text is verbatim; the formatting has been changed to accommodate inclusion in this section of the Internal Audit Annual Report.

Quality Assurance Review Report
for the
Internal Audit Function at
The Texas State University System

March 2013

Prepared by:
Richard H. Tarr, CIA, CISA
P.O. Box 560716
Orlando, FL 32856-0716
Ph: 407-896-2760
Fx: 407-843-5393
E-mail: rtarr@racar.com
Executive Summary

Objectives and Scope

As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.) and the Institute of Internal Auditors’ (IIA) Standards for the Professional Practice of Internal Auditing (IIA Standards), an external quality assurance review (QAR) was conducted of The Texas State University System (TSUS) internal audit function. The principal objectives of the review were to assess whether the internal audit (IA) activities at the Office of Audits and Analysis (OAA) System Office and the four component locations, the Texas State University, Lamar University, Sam Houston State University, and Sul Ross State University, were conforming to the IIA Standards and the Texas Internal Auditing Act (TIAA). A secondary objective was to evaluate the effectiveness of each institution’s internal auditing activity in carrying out its mission, and where applicable, identify opportunities that would enhance the audit practices that are in place to improve the value of the services being provided to each of the universities and the System.

The scope of the review included an evaluation of:

- The department’s reporting relationship and its communication with the Finance and Audit Committee, the Chancellor, and component Presidents;
- The independence and the objectivity of the audit work performed;
- Existing internal audit policies and procedures;
- The Component and System-wide risk assessment and annual audit planning process;
- The planning process for individual audit projects;
- The audit methodologies used in performing the work;
- A representative sample of audit workpaper files and reports;
- The workpaper documentation that supported the work performed;
- The support in the workpapers for the conclusions and recommendations in the audit reports;
- How the results of audits are communicated;
- The procedures for following up on audit recommendations; and
- The knowledge, skills, discipline, and training of the staff.

As part of the preparation for the review, the System Audit Director and the IA Directors at each component location prepared a self-study document with detailed documentation on their policies and procedures. In addition, the System Audit Director and the IA Directors at each component location sent out confidential surveys to a representative sample of their audit customers and management. The responses to the survey were returned to the reviewer and a summary of the survey results and accompanying comments (without identifying the respondents) have been furnished to the System Audit Director.

Interviews were conducted with the current and former Chairmen and Chairs of the Finance and Audit Committee of the Board of Regents; the Chancellor of the Texas State University System; the Vice Chancellor and General Counsel; the Vice Chancellor for Finance; the Presidents and the Vice Presidents for Finance at each university; the System Audit Director, the Chief IT Auditor, and the IA Directors and audit staffs at each component location.
**Overall Opinion**

The rating system that was used for expressing an opinion for this review provides for three levels of conformance:

- “Generally Conform” (the best) means that the OAA and its components have policies, procedures, and a charter in place, and follow practices that were judged to be in accordance with applicable IIA Standards and the TIAA; however, opportunities for improvement may exist.
- “Partially Conform” means deficiencies in practice were found that deviated from professional standards; however, these deficiencies, while they might impair, did not prohibit, the OAA and its components from carrying out its responsibilities.
- “Does Not Conform,” means there were deficiencies in practices found that were considered so significant, as to seriously impair or prohibit the OAA and its components from carrying out its responsibilities.

Based on the work outlined above, it is the opinion of the reviewer that the internal audit activities at the System Office and at each of the component locations generally conform to the IIA’s Standards and the Texas Internal Auditing Act. This opinion, representing the best possible evaluation, means that an internal audit charter, policies, procedures, and/or practices are in place that implements the IIA Standards and comply with the requirements of the Texas Internal Auditing Act.

**Observations**

The internal audit function at each of the TSUS components reports to the System Director of Audits and Analysis (System Director), who has sole responsibility for all of the audit activities and functions at the System and component levels. The System Director is a CPA (Certified Public Accountant) with over 20 years of internal auditing experience and 10 years of external auditing experience; reports administratively to the Texas State University System Chancellor; and reports functionally to the Board of Regents through the Finance and Audit Committee, as required by the TIAA. She is well respected and has a good working relationship with the System’s senior management. This reporting structure provides the System Director and the Component Directors and staff with the independence and ability to be objective and render impartial and unbiased judgments essential to the proper planning and conduct of audit work.

As required by the IIA Standards, TSUS has a well-crafted Audit Charter that establishes the audit activity for the System as an independent and objective activity and clearly defines its purpose, authority and responsibility. The System Director and the Component Directors and audit staff have unrestricted access to all functions, records, property, and personnel. It also authorizes the System Director: to allocate departmental resources; set audit frequencies; select subjects; determine the scope of work; and apply the techniques necessary to accomplish the System-wide Audit Plan as approved by the Board. The System Director has full and free access to the Board Chairman, the Finance and Audit Committee Chair, and the Chancellor. The Chairman, the Finance and Audit Committee Chair, and the Chancellor are very knowledgeable of the internal audit function; they articulated audit’s duties and responsibilities and its value to the organization; additionally, they afford the System Director a level of accessibility which is commendable and which greatly contributes to an enhanced governance structure at the TSUS. The accessibility of the Presidents to the Component Directors is likewise to be commended.
The System has four component audit staff locations each headed by a Component Director. The Component Directors have excellent professional credentials. All are either CPAs and/or CIAs (Certified Internal Auditor), who collectively have over 80 years of auditing experience. All are viewed by the presidents of their respective universities to be independent and objective. The audit staffs at the System Office and at each of the components also have extensive audit experience and, with one exception, have at least one audit related professional certification. The exception is close to obtaining a CIA certification.

The IIA Standards require that workpapers be maintained to document the audit work conducted by the audit staff. While there have been challenges in implementing the TeamMate automated workpaper tool that the auditors use for this purpose, there was sufficient evidence that the audit work is being appropriately documented. See the recommendation that addresses this below.

A review of a sample of audit workpapers verified that the audit work is being appropriately planned and supports the conclusions and opinions communicated in the audit reports that are issued. The workpapers contained evidence that the work was conducted with a level of professional care that was appropriate for the objectives of the work that was undertaken. The audit projects were well planned and the work performed was appropriately documented in accordance with IIA Standards. The audit programs in the workpapers were appropriately referenced to the audit steps. The tests performed during the audits and the conclusions contained in audit reports were supported by the work documented in the workpapers and the audit work was appropriately reviewed before audit reports were issued.

A confidential survey of audit customers conducted at the System Office and four component locations during the review indicated that 93% of those surveyed rated overall the internal audit activity either excellent or good on 18 different criteria. This is a very positive rating for an audit activity and speaks well of the professionalism and the ability of the System and Component Directors and the audit staffs.

Richard Tarr, CIA, CISA
VI. Internal Audit Plan for Fiscal Year 2016

The Office of Audits & Analysis prepares a consolidated audit plan for System Administration and its Components. The following is an excerpt applicable to Sam Houston State University, followed by a brief description of the risk assessment used to develop the audit plan. The TSUS Board of Regents approved the 2016 Audit Plan on August 14, 2015. The Audit Plan includes audits and reviews related to Benefits Proportionality, Research Protocol, Joint Admission Medical Program (JAMP) compliance, Contracting, Budgeting, Facilities Projects, and various IT-related processes. Additionally, the TSUS System Administration Audit Plan includes a system-wide initiative addressing TAC 202 compliance and analysis on the impact associated with legislative changes occurring to the current TAC 202 framework as well as an assessment of safety and security activities and processes.

The Sam Houston State University Fiscal Year 2016 Audit Plan begins on the next page.
Sam Houston State University

Fiscal Year 2016 Audit Plan

Kelly R. Bielamowicz, MBA, CPA
Component Director, Office of Audits and Analysis
## SAM HOUSTON STATE UNIVERSITY FISCAL YEAR 2016 AUDIT PLAN (5,084 Hours)

<table>
<thead>
<tr>
<th>AUDIT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SYSTEM-WIDE INITIATIVES</strong></td>
<td></td>
</tr>
<tr>
<td>Response to System Requests</td>
<td>To gather information as requested by System Administration.</td>
</tr>
<tr>
<td><strong>RISK-BASED AUDITS</strong></td>
<td></td>
</tr>
<tr>
<td>Research Protocol Compliance</td>
<td>Assess the University’s compliance with federal and state applicable laws, policies, and standards for the use of human and animal subjects for research.</td>
</tr>
<tr>
<td>Budget Process Review</td>
<td>Assess the annual budgeting and forecasting processes including the related internal controls.</td>
</tr>
<tr>
<td>IT – Data Center Environment and Physical Security</td>
<td>Evaluate how physical access to data centers, server rooms and wiring closets restricted. Also evaluate the safeguards in place to protect information assets and IT infrastructure in the data center from environmental hazards and disasters.</td>
</tr>
<tr>
<td>IT – Banner Data Classification and Segregation of Duties</td>
<td>Evaluate the process data owners have used to classify critical and sensitive data as well as identify the combinations of transactions which have been segregated to avoid segregation of duties conflicts. Verify whether any users have the authority to execute two or more conflicting sensitive transactions which could impact financials, payroll, human resources, student enrollment, financial aid, etc.</td>
</tr>
<tr>
<td>IT – IT and Software Asset Management Process Audit</td>
<td>Evaluate the processes and controls IT has deployed in the IT and Software Asset Management processes. IT Asset Management is the process for tracking and reporting the value, current ownership and details of controllable IT assets. Software Asset Management involves management of the purchase, licensing, deployment, maintenance, utilization and disposal of software assets.</td>
</tr>
<tr>
<td><strong>REQUIRED AUDITS AND ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>SB 20 – Annual Review</td>
<td>Annual review to determine if rules and policies required under SB 20, 84th Legislature.</td>
</tr>
<tr>
<td>SB 20 – Contract Administration</td>
<td>Risk-based testing of contract administration required under SB 20, 84th Legislature.</td>
</tr>
<tr>
<td>Investments</td>
<td>Biennial review of compliance with the requirements of the Texas Public Funds Investment Act. (Report due December 31st, 2016)</td>
</tr>
<tr>
<td>Joint Admission Medical Program (JAMP)</td>
<td>Test for appropriateness of expenditures for fiscal year 2015. (Report due October 31st, 2015)</td>
</tr>
<tr>
<td>THECB Facilities Audit</td>
<td>Required audit per Texas Education Code 61.0583 to determine compliance with THECB project approval, application, and reporting processes.</td>
</tr>
<tr>
<td>NCAA Agreed Upon Procedures</td>
<td>Assist the external auditor with a review of the University’s NCAA Athletic financial statement for the fiscal year ended August 31, 2015, as required by the NCAA. (PARTIALLY OUTSOURCED)</td>
</tr>
<tr>
<td>Quality Assurance Review</td>
<td>Third-party review of the audit function as required by auditing standards.</td>
</tr>
<tr>
<td>Follow-Up Procedures</td>
<td>Follow-up on management’s progress in implementing outstanding internal and external audit recommendations.</td>
</tr>
<tr>
<td>Annual Risk Assessment and Audit Plan</td>
<td>Conduct risk assessment activities and prepare the 2017 Audit Plan as required by auditing standards.</td>
</tr>
</tbody>
</table>
**Risk Assessment Methodology**

The Audit Plan was developed through risk assessments deployed at Sam Houston State University and System Administration. The Component Audit Director at Sam Houston State University developed the plan for the University; the System Audit Director develops a plan for System Administration (including system-wide initiatives). As required by auditing standards and state law, the risk assessment included consideration of fraud risks, risks associated with contract management, compliance (research protocol and JAMP), business processes, and information technology. We do include and evaluate SFA in our risk assessment, although we rarely perform engagement work in that area given our limited resources, and the SAO's expertise in auditing SFA.

The collective risk assessments included, but were not limited to the following activities:

- Soliciting input from the Board of Regents, the Chancellor and Vice-Chancellors, and the Sam Houston State University President and management.
- Consulting with oversight entities regarding “hot topic” initiatives that should be considered.
- Networking with other college and university internal audit directors regarding emerging issues/concerns.
- Reviewing the Components’ and the System’s consolidated annual financial reports for the most current fiscal year to identify significant financial items.
- Considering the impact of public scrutiny; and
- Utilizing professional judgment and knowledge gained from prior audits regarding the effectiveness of governance, internal control, and risk assessment processes in mitigating risk.
- Continuous risk evaluation of the management and security of Sam Houston State University based information resources and related activities.

Finite resources, coupled with an increase in mandated projects, precluded the inclusion of all high risk projects in the Audit Plan. Such high risk projects included but were not limited to, certain tests of compliance, IT related activities, and financial cash management.
VII. External Audit Services Procured in Fiscal Year 2015

The TSUS System Office extended its contract with McGladrey, LLC to perform construction audit services at SHSU.


VIII. Reporting Suspected Fraud and Abuse

SHSU has taken the following actions to ensure compliance with requirements of Section 7.09, Fraud Reporting, General Appropriations Act (83rd Legislature, Conference Committee Report), Article IX:

- The TSUS contracts with EthicsPoint, an internet-based fraud reporting hotline. The following link provides information on the TSUS website for reporting suspected fraud, waste or abuse: https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=12867.
  The link also appears on Sam Houston State University’s webpage.

  Additionally, there is a link to the State Auditor’s fraud reporting hotline on the Sam Houston State University webpage.

- The TSUS Rules and Regulations place specific requirements for employees to report suspected waste, fraud, or abuse and delegates to the System Audit Director responsibility to report such matters to the State Auditor’s Office.

- SHSU 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 Director of Audits and Analysis, 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 Audits & Analysis 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.