

Office of Internal Audit

Audit and Compliance Plan Fiscal Year 2020















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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	/	~	~	~	~	/	/	~
	(-BASED F	UNCTIONA	L AREAS (S	See Append	dix 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.

	AUXILIARY ENTERPRISES	INSTRUCTION & ACADEMICS	HEALTH & SAFETY			
	Athletics	Administration	ADA Access			
	Bookstore	Academic Progress	Background Checks			
	Child Development	Ancillary Activities (Theater, Rodeo)	Disaster Recovery			
	Faculty Club	Records (Grades)	Emergency Preparedness & Drills			
	Food Services	Charter Schools	Environmental Health & Safety			
	Museums	College of Osteopathic Medicine	Fire Safety			
	Other External Services	Course Overloads	Lab Safety			
	Parking	Course "Make"	Risk Management			
	Recreational Centers	Curriculum Development	Student, Faculty, & Staff IDs			
	Residence Halls	Degree Planning	Title IX			
	Service Centers	Distance Learning	University Police			
	Special Events Centers	FERPA	Chilverenty 1 elies			
	Occidi Evento Centero	Faculty Workload	\			
		Tuition and Fee Rates	\			
M		Institutional Reporting	\ \			
//		Libraries	l V			
			`			
		Recruiting (including Athletics)				
		Retention				
F	CINIANICIAL MANIACENETI	Study Abroad	DECEMBELLAND OF ANTO			
	FINANCIAL MANAGEMENT	STUDENT SERVICES	RESEARCH AND GRANTS			
	Accounting	Greek Life	Animal Testing			
	Accounts Payable	Health Services	Export Controls			
	Accounts Receivable	Mental Health Services	Human Subjects			
	Asset Management	Disability Services	Intellectual Property & Technology			
	Bonded Debt	Recreational & Athletic Centers	Transfer			
	Budgeting	Student Centers & Activities	Pre-award & Award Acceptance			
	Business Continuity	Student Housing	Post-award Administration			
	Capital Assets & Depreciation	Student Judicial Affairs	Research Facilities			
	Cashiering	Student Legal Services	Quality & Oversight			
	Cash Flow Management	Student Organizations	Research Security			
	Financial Reporting	Support for Athletes	Small Business Development Centers			
	Grants Accounting	Testing Centers	Trademark & Copyright Licensing			
	Human Resources					
	Inventories					
	Investments					
	Payroll					
	Public Private Partnerships	ENROLLMENT MANAGEMENT	OUTSOURCED SERVICES			
	Purchasing	Admissions	Custodial			
\ L	Revenue Collection	Career Counseling	Distance Learning			
N	Revenue Generating Activities	Financial Aid	Food Services			
M	Strategic Financial Management	Registration	Housing			
N	Treasury Services	Scholarships & Fellowships	Landscaping			
- [nrelated Business Income Taxes	Veterans' Affairs	Maintenance			
	\\		Parking			
			Project Management			
ŀ	HEALTH CARE OPERATIONS	INSTITUTIONAL SUPPORT	CONSTRUCTION AND			
Access		Alumni Relations/Development	PHYSICAL PLANT			
	Charge Capture and Collection	Endowments	Construction Management			
	Health Care Center Facilities	Foundations	Building Maintenance			
	Patient Information (HIPAA)	Fundraising	Custodial Services			
	Pharmacy	Marketing	Landscape & Groupus			
	Student Injury Reporting	Public Relations	Renovations			
	Stadent injury reporting	Self-Supporting Enterprises	Physical Plant			
		University Support for Foundations	Utilities			
		Chiversity Support for Foundations	Othitio			

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