

Office of Internal Audit

Audit and Compliance Plan Fiscal Year 2022



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INTRODUCTION AND PURPOSE

The *Fiscal Year 2022 Audit and Compliance Plan* ("Plan") documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2022. 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 22,957.

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 Process" below for more information.
- Other Activities: Projects required by grant agreements or third parties; consulting and advisory services; special projects such as time-sensitive management-requested reviews or investigations; identification and communication of emerging compliance requirements; liaising with external auditors; and other functions designed to assist management in mitigating risks.

Risk Assessment Process

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

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

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

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

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

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

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

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee. Also, consistent with prior years, the risk assessment identified high risk areas that were not included in the Plan due to finite resources.

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 2022

5	STATUTO	RY AUDITS	AND ACT	IVITIES				
	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
SB 20 – Annual Review	\checkmark	 	 		\checkmark	\checkmark	\checkmark	
SB 20 – Contract Administration	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
Benefits Proportionality	\checkmark	\checkmark	 	\checkmark	 	\checkmark	\checkmark	
THECB Facilities Audit				\checkmark				
Follow-Up Reviews	\checkmark	 	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
Risk Assessment and Audit & Compliance Plan	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
Annual Internal Audit Report	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
Title IX Quarterly Reporting	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
Continuing Education	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	
	ASED FUN	ICTIONAL	AREAS (Se	e Appendi	x A)			
CARES (COVID-19) - Institutions	\checkmark	\checkmark			\checkmark	\checkmark	\checkmark	
CARES (COVID-19) - Minority Serving Institutions	~	<	<	<				
Auxiliary Enterprises		 		~				
Instruction and Academic Support		<	<	<	<			
Health & Safety	\checkmark	\checkmark			<	\checkmark	\checkmark	
Financial Management	~	<		<	<			
Student Services	\checkmark	\checkmark			\checkmark	\checkmark	\checkmark	
Enrollment Management		<		<				
Research and Grants		<	<	<				
Outsourced Services								
Health Care Operations	~	<	<	<	<	 		
Institutional Support				<				
Construction and Physical Plant	~	<	<	<				
Information Technology	\sim	 	<	<	<	 	<	<
	(OTHER AC	FIVITIES					
Special Projects	\checkmark	\checkmark	 		\checkmark	\checkmark	\checkmark	\checkmark
Third-Party Required Projects		\checkmark	\sim	\checkmark				
SACSCOC Assistance							>	
Audit Liaison Activities	\checkmark	\checkmark	 		\checkmark	\checkmark	\checkmark	\checkmark
Compliance Newsletter	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark

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 all operations.

	AUXILIARY ENTERPRISES	INSTRUCTION & ACADEMICS	HEALTH & SAFETY
Ath	hletics	Administration	ADA Access
	ookstore	Academic Progress	Background Checks
Ch	nild Development	Ancillary Activities (Theater, Rodeo)	Disaster Recovery
	culty Club	Records (Grades)	Emergency Preparedness & Drills Environmental Health & Safety
	od Services	Charter Schools	Environmental Health & Safety
	useums	College of Osteopathic Medicine	Fire Safety
	her External Services	Course Overloads	Lab Safety
Pa	Irking	Course "Make"	Risk Management
Re	ecreation	Curriculum Development	Student, Faculty, & Staff IDs
Re	esidence Halls	Degree Planning	Title IX
Se	ervice Centers	Distance Learning	University Police
Sn	pecial Events Centers	FERPA	
- Op	Special Events Centers	Faculty Workload	
		Tuition and Fee Rates	
		Institutional Reporting	
		Libraries	
		Recruiting (including Athletics)	
		Retention	
		Study Abroad	N N
	FINANCIAL MANAGEMENT	STUDENT SERVICES	RESEARCH AND GRANTS
		Greek Life	Animal Testing
	counting accurate Devictor	-	
	counts Payable	Health Services	Export Controls
	counts Receivable	Mental Health Services	Human Subjects
	set Management	Disability Services	Intellectual Property & Technology
► Bo	nded Debt	Recreational & Athletic Centers	Transfer
🙂 Bu	Idgeting	Student Centers & Activities	Pre-award & Award Acceptance
Ö Bu	isiness Continuity	Student Housing	Post-award Administration
Bo Bu Bu Ca Ca Ca Fin Gra	isiness Continuity ipital Assets & Depreciation	Student Judicial Affairs	Research Facilities
	shiering	Student Legal Services	Quality & Oversight
		Student Cenerications	
	sh Flow Management	Student Organizations	Research Security
U Fin	nancial Reporting	Support for Athletes	Small Business Development Centers
🔟 Gra	ants Accounting	Testing Centers	Trademark & Copyright Licensing
Hu Hu	iman Resources		
Inv	ventories		
	vestments		
	yroll		
	blic Private Partnerships	ENROLLMENT MANAGEMENT	OUTSOURCED SERVICES
Pu	Irchasing	Admissions	Custodial
	evenue Collection	Career Counseling	Distance Learning
🚺 Re	evenue Generating Activities	Financial Aid	Food Services
Str	rategic Financial Management	Registration	Housing
Tre	easury Services	Scholarships & Fellowships	Landscaping
	related Business Income Taxes		
S .		Veterans' Affairs	Maintenance
			Parking
			Project Management
HEALTH CARE OPER	HEALTH CARE OPERATIONS	INSTITUTIONAL SUPPORT	CONSTRUCTION AND
		Alumni Relations/Development	PHYSICAL PLANT
Ch	arge Capture and Collection	Endowments	Construction Management
He	ealth Care Center Facilities	Foundations	Building Maintenance
	itient Information (HIPAA)	Fundraising	Custodial Services
	armacy	Marketing	Landscape & Grounds
	udent Injury Reporting	Public Relations	Renovations
0.0		Self-Supporting Enterprises	Physical Plant
		University Support for Foundations	Utilities
1		oniversity support for Foundations	Ounties