THE TEXAS ★ STATE UNIVERSITY SYSTEM

Office of Internal Audit

Audit and Compliance Plan
Fiscal Year 2023

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INTRODUCTION AND PURPOSE

The *Fiscal Year 2023 Audit and Compliance Plan* ("Plan") documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2023. 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 23,773.

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

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

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

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

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee. 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 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 2023

STATUTORY AUDITS AND ACTIVITIES	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
SB 20 – Annual Review	✓	✓	✓	✓	✓	✓	✓	✓
SB 20 – Contract Administration	✓	✓	✓	✓	✓	✓	✓	✓
THECB Facilities Audit		✓		✓				
Quarterly Follow-Up Reviews	✓	✓	✓	✓	✓	✓	✓	✓
Risk Assessment and Audit & Compliance Plan	✓	✓	✓	✓	✓	✓	✓	✓
Annual Internal Audit Report	✓	✓	✓	✓	✓	✓	✓	✓
Title IX Quarterly Reporting	✓	✓	✓	✓	✓	✓	✓	✓
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	✓	✓		✓	✓	✓	✓	
OTHER ACTIVITIES								
Clery Act	✓	✓	✓	✓	✓	✓	✓	✓
Special Projects	✓	✓	✓	✓	✓	✓	✓	✓
Third-Party Required Projects	✓	✓	✓	✓				
SACSCOC Assistance							✓	
Compliance Universe & State Due Date Database	✓	✓	✓	✓	✓	✓	✓	✓
Audit & Compliance 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 all operations.

INFORMATION TECHNOLOGY (left side) | **COMPLIANCE** (right side)

AUXILIARY ENTERPRISES
Athletics
Bookstore
Child Development
Faculty Club
Food Services
Museums
Other External Services
Parking
Recreational Centers
Residence Halls
Service Centers
Special Events Centers

INSTRUCTION & ACADEMICS
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

HEALTH & SAFETY
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
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

STUDENT SERVICES
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

RESEARCH AND GRANTS
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
Admissions
Career Counseling
Financial Aid
Registration
Scholarships & Fellowships
Veterans' Affairs

OUTSOURCED SERVICES
Custodial
Distance Learning
Food Services
Housing
Landscaping
Maintenance
Parking
Project Management

HEALTH CARE OPERATIONS
Access
Charge Capture and Collection
Health Care Center Facilities
Patient Information (HIPAA)
Pharmacy
Student Injury Reporting

INSTITUTIONAL SUPPORT
Alumni Relations/Development
Endowments
Foundations
Fundraising
Marketing
Public Relations
Self-Supporting Enterprises
University Support for Foundations

CONSTRUCTION AND PHYSICAL PLANT
Construction Management
Building Maintenance
Custodial Services
Landscape & Grounds
Renovations
Physical Plant
Utilities