

# Stephen F. Austin State University

## Annual Internal Audit Report

Fiscal Year 2024

Audit Report 25-200



## Department of Audit Services

Jane Ann Bridges, CPA, CIA, CFE, Chief Audit Executive  
Box 6121, SFA Station • Nacogdoches, Texas 75962  
Phone: (936) 468-5204  
Email: [bridgesja1@sfasu.edu](mailto:bridgesja1@sfasu.edu)

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
25-200 ANNUAL INTERNAL AUDIT REPORT

---

October 17, 2024

Mr. Thomas Mason  
Chairman, SFASU Internal Audit Committee  
7619 Marquette St.  
Dallas, Texas 75225-4412

Dr. Neal Weaver  
President  
1936 North Street, Austin Building Suite 309  
Nacogdoches, Texas 75962

Dear Mr. Mason and Dr. Weaver:

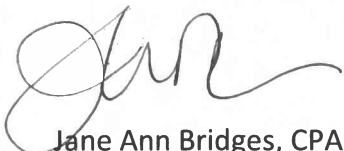
I am pleased to submit the annual report of the Department of Audit Services (Audit Services) for fiscal year 2024. This report fulfills the requirements of the Texas Internal Auditing Act (Act), Texas Government Code (TGC), Section 2102.009, *Annual Report*. In accordance with the Act, this report will be submitted to the Office of the Governor, the Legislative Budget Board, and the State Auditor's Office (SAO) no later than November 1, 2024. The report was prepared using the guidelines provided by the SAO.

The purpose of this report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual report assists oversight agencies in their planning and coordination efforts.

During fiscal year 2024, we issued 14 risk-based, required, advisory, or investigation-related reports. The work of Audit Services has enhanced university operations and provided value to management with recommendations relating to governance, risk management, and control processes at Stephen F. Austin State University (University, SFASU, or SFA).

For further information about this report or any project mentioned in the report, please contact me.

Respectfully submitted,



Jane Ann Bridges, CPA, CIA, CFE  
Chief Audit Executive

## Table of Contents

Section I. Compliance with Posting Requirements .....	4
Section II. Internal Audit Plan for Fiscal Year 2024 .....	4
Deviations from the Fiscal Year 2024 Audit Plan .....	7
Texas Education Code, Section 51.9337(h) .....	7
Section III. Consulting Services and Non-Audit Services Completed .....	8
Section IV. External Audit Services Procured .....	9
Section V. External Quality Assurance Review (Peer Review) .....	10
Section VI. Internal Audit Plan for Fiscal Year 2025 .....	10
Fiscal Year 2025 Audit Plan Overview .....	11
Detailed Audit Plan .....	11
High-Risk Areas not Covered in Audit Plan .....	14
Risk Assessment Methodology .....	15
Texas Administrative Code, Chapter 202 (Information Security Standards) .....	16
Benefits Proportionality Audit Requirements .....	16
Texas Government Code, Section 2102.005(b) .....	16
Section VII. Reporting Suspected Fraud and Abuse .....	16
Fraud Reporting .....	17
Coordination of Investigations .....	17
Appendix A. Fiscal Year 2024 Observations and Action Plans .....	19
Appendix B. Peer Review Report .....	28
Appendix C. Fraud Poster .....	37

## Section I. Compliance with Posting Requirements

**Requirement:** Compliance with TGC, Section 2102.015, *Publication of Audit Plan and Annual Report on Internet*. Include a brief explanation of the procedures followed to post the internal audit annual report and audit plan on the agency's website.

### TGC 2102.015 - Publication of Audit Plan and Annual Report on Internet

- (a) Notwithstanding Section 2102.003, in this section, "state agency" means a board, commission, department, institute, office, or other agency in the executive branch of state government that is created by the constitution or a statute of this state, including an institution of higher education as defined by Section 61.003, Education Code.
- (b) Subject to Subsection (c), at the time and in the manner provided by the state auditor, a state agency shall post on the agency's Internet website:
  - (1) the agency's internal audit plan approved as provided by Section 2102.008; and
  - (2) the agency's annual report required under Section 2102.009.
- (c) A state agency is not required to post information contained in the agency's internal audit plan or annual report if the information is excepted from public disclosure under Chapter 552.
- (d) A state agency shall update the posting required under this section at the time and in the manner provided by the state auditor to include a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.
- (e) A state agency shall update the posting required under this section to include a summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report.

As required by TGC 2102.015 (b), Audit Services posts annual reports and the approved fiscal year audit plans on its website at <https://www.sfasu.edu/audit/>. This report will be posted to the website no later than November 1, 2024.

To further meet TGC 2012.015 requirements, audit reports are posted at <https://www.utsystem.edu/documents/audit-reports-institution>. Audit results are included in each issued audit report, which are provided to the State Auditor's Office. Also, a summary table of observations identified from fiscal year 2024 engagements, the actions taken or planned to be taken by management, and the current implementation status is included as Appendix A in this report.

## Section II. Internal Audit Plan for Fiscal Year 2024

### Requirement:

- Include a list of audits planned for the prior fiscal year, and for each audit completed provide report numbers, dates, and titles.
- If an audit was not completed or is ongoing as a carry-over project, include the current status of the audit.

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

- Include a brief explanation for any deviations from the audit plan.

**Note:** For higher education institutions, report the findings for the higher education institution assessment required by Texas Education Code (TEC), Section 51.9337(h), in this section or in a separate report to the SAO.

The following table details Audit Services’ progress on the fiscal year 2024 audit plan and includes the required information.

Report or Engagement #	Engagement/Project Name	Status
<b>Assurance Engagements</b>		
23-V	Higher Education Emergency Relief Funds – Student Portion Audit as of January 31, 2023 (Carryforward from FY2023)	Report Released 10/06/23
23-IX	Construction Management Close Out – Fine Arts Expansion and Renovation Audit as of August 31, 2023 (Carryforward from FY2023)	Report Released 09/24/24
24-100	Financial Aid and Scholarships	Carryforward to FY25
24-101	General Ledger Reconciliations	Carryforward to FY25
24-102	IT Asset Management Audit as of October 31, 2023	Report Released 04/01/24
24-103	Diversity, Equity, and Inclusion (TEC 51.3525) Audit as of May 31, 2024	Report Released 08/13/24
<b>Required and Follow-Up Engagements</b>		
23-VII	Contract Management and Procurement Audit as of May 31, 2023 (Carryforward from FY2023)	Report Released 10/06/23
24-200	Annual Audit Report as of August 31, 2023	Report Released 10/26/23
24-201	Contract Management and Procurement Assessment (TEC 51.9337) as of April 30, 2024	Report Released 07/19/24
24-202	Public Funds Investment Act Audit as of August 31, 2023	Report Released 12/21/23
24-203	Facilities Audit as of December 31, 2023	Report Released 07/19/24
24-204	Joint Admission Medical Program (JAMP) Audit for Fiscal Years 2022 and 2023	Report Released 10/27/23
24-205	NCAA Agreed-Upon Procedures (assistance to external auditors)	Report Released by External Firm 01/26/24

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Report or Engagement #	Engagement/Project Name	Status
24-206	Charter School Financial Statements (assistance to external auditors)	Report Released by External Firm 01/26/24
24-207	External Audit Assistance	Completed; No report
24-208	Fiscal Year 2024 Financial Statement Audit (assistance to external auditors)	In Progress; Carryforward to FY2025
24-600	Follow-Up on Management Action Plans – Internal	Ongoing; No report
24-601	Follow-Up on Management Action Plans – External	In Process
<b>Advisory Engagements (See Section III for additional information)</b>		
24-301	Account Reconciliation Reviews	In Progress; Carryforward to FY2025
SP 23-C	Uniform Statewide Accounting System Reconciliation Process Review	Report Released 01/26/24
24-300	Institutional Committee Meetings and Adhoc Workgroups	Completed; No report
24-302	Data Analytics/Continuous Auditing Program	Completed; No report
<b>Hotline Assessments and Investigations</b>		
24-400	Fraud Hotline	Ongoing; No report
24-401	Investigations	Completed; 3 Reports Released (IP 23-20, 23-24 & 24-13)
<b>Development Projects (Operations, Initiatives, and Education)</b>		
24-700	Internal Audit Committee	Completed; No report
24-701	Staff Meetings	Completed; No report
24-702	Quality Assurance	Ongoing; No Report

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Report or Engagement #	Engagement/Project Name	Status
24-703	Risk Assessment and Fiscal Year 2025 Audit Plan	Completed; Reported to Audit Committee 07/09/24
24-800	Professional Development	Completed; No report
24-801	Professional Associations	Completed; No report
24-802	Audit Software Implementation	Ongoing; No report
24-803	UT System Audit Office Initiatives	Completed; No report
24-804	Audit Services Organization	Ongoing; No report

**Deviations from the Fiscal Year 2024 Audit Plan**

Audit Services completed its fiscal year 2024 audit plan except for the deviations noted below.

Report or Engagement #	Engagement/Project Name	Action
24-100	Financial Aid and Scholarships	Carryforward to FY25
24-101	General Ledger Reconciliations	Carryforward to FY25
24-103	Diversity, Equity, and Inclusion (TEC 51.3525) Audit as of May 31, 2024	Added

Additionally, total plan hours were reduced by 1,558 due to staff vacancies in the fiscal year.

**Texas Education Code, Section 51.9337(h)**

Senate Bill 20 (84th Legislative Session) made several modifications and additions to TGC and TEC related to purchasing and contracting. Effective September 1, 2015, TEC 51.9337(h) requires that “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.”

The most recent assessment was completed as of April 30, 2024 and the report (#24-201) was issued on July 19, 2024. Audit Services gained assurance that SFA was generally in compliance with adopting the rules and policies required by TEC 51.9337. The report can be accessed at <https://www.utsystem.edu/documents/audit-reports-institution>.

### Section III. Consulting Services and Non-Audit Services Completed

**Requirement:**

- Include a list of consulting services, as defined in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*, and a list of non-audit services as defined in *Government Auditing Standards*, that were completed during the fiscal year.
- Include report numbers, dates, and titles, as well as the high-level objective(s) of each project.
- Summarize the key consulting services and non-audit service observations, results, and recommendations, if applicable.

The following table reflects the list of consulting services completed in fiscal year 2024. Any recommendations from these activities are included on the list in Appendix A.

Engagement or Activity	Objective or Impact
SP 23-C Uniform Statewide Accounting System Reconciliation Process Review	The objectives were to gain assurance that USAS had been reconciled and balanced for fiscal years 2020, 2021, and 2022; procedures for USAS are in place and appropriate; and access to USAS is documented and appropriate.

Advisory, facilitation, and education activities included the following during fiscal year 2024:

Engagement or Activity	Objective or Impact
24-300 Institutional Committee Meetings and Adhoc Workgroups – Handbook of Operating Procedures Committee (HOP)	Participated on the HOP committee; HOP reviews University policies and operating procedures.
24-300 Institutional Committee Meetings and Adhoc Workgroups – Executive Compliance Committee (ECC)	Participated on the ECC as an advisory member; ECC’s primary function is to direct policy and instill the importance of compliance in the University community.
24-300 Institutional Committee Meetings and Adhoc Workgroups – Compliance Coordinating Committee (CCC)	Participated on the CCC as an advisory member; CCC’s primary function is to oversee the implementation of the compliance program throughout the University.
24-302 Data Analytics/Continuous Auditing Program	Developed various data analytics programs and perform continuous review of high risk areas/ controls and/or areas as requested by management.
24-205 NCAA Agreed-Upon Procedures (assistance to external auditors)	Provided assistance and coordination for external auditors in the performance of the annual NCAA Agreed Upon Procedures for Fiscal Year 2023.
24-206 Charter School Financial Statements (assistance to external auditors)	Provided assistance and coordination for external auditors in the performance of the annual financial statement audit of the Charter School for Fiscal Year 2023.



STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Engagement or Activity	Objective or Impact
24-207 External Audit Assistance	Provided assistance and coordination to external auditors with the SAO, Comptroller's Office, and Texas Higher Education Coordinating Board (THCEB).
24-208 Fiscal Year 2024 Financial Statement Audit	Provided assistance and coordination to external auditors in the performance of the required annual financial statement for Fiscal Year 2024 (pre-end of year tasks).
24-400 Fraud Hotline	Facilitated the University's anonymous reporting system; Participated on the University's anti-fraud team.
24-401 Investigations	Triaged reports from various sources (i.e. hotline, management, SAO) and performed investigations where necessary.
Advisor to Departments	Provided guidance to strengthen department controls as requested by management.
24-801 Professional Associations – Served the Association of College & University Auditors (ACUA) as a committee member on the Sideline (Athletics) Committee	Contributed to the internal audit profession and strengthened knowledge base.
24-801 Professional Associations – Served the Texas Association of College & University Auditors (TACUA) as a board member and/or committee member	Contributed to the internal audit profession and strengthened knowledge base.
24-803 UT System Audit Office Initiatives – Participated in a number of roundtables and meetings at UT System (e.g., IT Roundtable, Data Analytics Roundtable)	Collaboration on systemwide internal audit efforts.

Audit Services did not perform any non-audit services as defined in *Government Auditing Standards*. Non-audit services are professional services provided to a client during an audit engagement that may threaten the independence on the audit.

### Section IV. External Audit Services Procured

**Requirement:** Include a list of all external audit services that were either procured or ongoing during the fiscal year. Examples of these services may include, but are not limited to, financial and performance audits and attestation engagements, such as a review or an agreed-upon procedures engagement.

The following table reflects external services that were procured or ongoing during fiscal year 2024.

Service	Frequency	External Auditors	Audit Required By
NCAA Agreed-upon Procedures	Annual	Goff & Herrington	NCAA Bylaws 20.2.4.17

Service	Frequency	External Auditors	Audit Required By
Charter School Financials	Annual	Goff & Herrington	Texas Administrative Code, Title 19 Education, Part 2 Texas Education Agency, Chapter 100 Charters, Subchapter AA Commissioner’s Rules Concerning Open-Enrollment Charter Schools, Division 3 Charter School Funding and Financial Operations, Rule 100.1047 Accounting for State and Federal Funds, (c) Annual Audit
IT Co-sourced Follow-Up	Project-based	CBIZ	Risk-based and Texas Administrative Code §202.76, Security Control Standards Catalog
Construction Management Close-Out Co-sourced	Project-based	CBIZ	Risk-based

## Section V. External Quality Assurance Review (Peer Review)

**Requirement:** include a copy of the executive summary or a summary of issues from the most recent external quality assurance review or peer review report.

The most recent external quality assurance review was conducted during April and May 2022 by the Chief Auditor of the Texas A&M University System. The report was released on August 3, 2022. A copy of the report is included as Appendix B.

## Section VI. Internal Audit Plan for Fiscal Year 2025

**Requirement:**

- Include the approved audit plan.
  - If the plan is pending approval from the governing board or chief executive and is not submitted with the annual report, specify the date the plan will be submitted.
  - If the audit plan is modified during the fiscal year, submit a copy of the revised plan to the oversight agencies.
- Include the budgeted hours for all projects.
- Include a list of additional risks ranked as “high” that were identified but are not included in the audit plan.
- Include a brief description of the risk assessment or methodology used to develop the audit plan, including consideration, if any of:
  - The applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).
  - Benefits proportionality.

- Methods for ensuring compliance with contract provisions and controls and for monitoring agency contracts, as required by TGC 2102.005(b).

**Note:** For higher education institutions, Rider 8, page III-5, the General Appropriations Act (88<sup>th</sup> Legislature), requires each higher education institution to consider audits of benefits proportionality when developing their annual internal audit plans for fiscal years 2024 and 2025.

### Fiscal Year 2025 Audit Plan Overview

The fiscal year 2025 audit plan reflects details for audits and other activities Audit Services plans to perform during the fiscal year. The plan was approved by the Internal Audit Committee on July 9, 2024. Any changes to the fiscal year 2025 audit plan will be made in accordance with the Internal Audit Activity Charter.

Total plan hours of 6,740 is based on a staff of four (4) internal audit professionals, taking into consideration the following:

- Co-sourced staffing engagements.
- Paid Time Off.
- General and administrative time.

The audit plan is divided into these categories and detail are shown in the following table:

- Assurance engagements.
- Advisory engagements.
- Required engagements.
- Investigations.
- Special projects (reserve).
- Follow-up.
- Development - Operations.
- Development - Initiatives and Education.

### Detailed Audit Plan

Engagement	Budget	General Objective/Description
<b>Assurance Engagements</b>		
Carryforward - Financial Aid and Scholarships	300	Gain assurance that controls and processes for financial aid exist and are operating as intended. Determine if financial aid is in compliance with applicable regulations.
Carryforward - General Ledger Reconciliations	250	Gain assurance that controls and processes for general ledger reconciliations exist and are operating as intended to support accurate University financial statements.

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Engagement	Budget	General Objective/Description
Privileged Access Management	400	Gain assurance that controls and processes for privileged access are in place and effective and comply with applicable Texas Administrative Code §202.76 security control standards. Meets TAC 202.76 requirement.
Texas Education Code §51.3525	200	Assess compliance with Texas Education Code 51.3525, <i>Responsibility of Governing Boards Regarding Diversity, Equity, And Inclusion Initiatives.</i>
Youth Protection Program	160	Assess compliance with UTS Policy 192, <i>Youth Protection Policy.</i>
Change Management	350	Identify gaps, risks, and areas of non-compliance with university policies and procedures in departments with new leadership.
LERR and STARs Expenditures	200	Assess compliance with LERR and STARs Budget Rules and Procedures and Expenditure Guidelines. These are new funding sources for SFA.
<b>Advisory Engagements</b>		
Carryforward - Account Reconciliation Reviews	150	Assist management with the development of a University-wide plan to efficiently and effectively address UTS Policy 142, <i>Financial Accounting and Reporting.</i>
Participation on University Committees/Ad-hoc Workgroups	80	Participation on various committees or ad hoc workgroups.
Data Analytics/Continuous Auditing Program	400	Develop various data analytics programs and perform continuous review of high risk areas/ controls and/or areas as requested by management.
Responding to Institutional Requests for Information and Advice	80	Hours reserved for responding to requests and inquiries from the campus community.
Enrollment Process	250	Assist management in identifying areas for improvement relating to the University's enrollment process.
Athletic Financials	200	Assist management in identifying areas for improvement relating to Athletics' NCAA financial reporting process.
Athletic Academic Progress	150	Assist management in identifying areas for improvement relating to Athletics' academic progress process.
Compliance Function	250	Assist management in identifying any gaps and/or risks during the establishment of a new compliance function.
<b>Required Engagements</b>		
Contract Management and Procurement Assessment	40	Assess compliance with Texas Education Code 51.9337 related to State procurement requirements.

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Engagement	Budget	General Objective/Description
NCAA Agreed-Upon Procedures	60	Provide assistance and coordination for external auditors in the performance of the annual NCAA Agreed Upon Procedures for Fiscal Year 2024.
Charter School Financial Statement	40	Provide assistance and coordination for external auditors in the performance of the annual financial statement audit of the Charter School for Fiscal Year 2024.
External Audit Assistance	60	Provide assistance and coordination to external auditors with the SAO, Comptroller's Office, THECB, or federal agencies.
Financial Statement Audit	20	Provide assistance and coordination to external auditors in the performance of the required annual financial statement.
<b>Investigations</b>		
Fraud Hotline	50	Facilitate the University anonymous reporting system until transitioned to Compliance; Participate on University's anti-fraud team.
Investigations	200	Intake and triage reports from various sources (i.e. hotline, management, SAO) and investigate as needed.
<b>Reserve</b>		
Special Projects/Emerging Risks	394	Reserve for unanticipated projects and management requests.
<b>Follow-Up</b>		
Follow-Up on Management Action Plans - Internal	300	Follow up on outstanding management action plans from internal audits.
Follow-Up on Management Action Plans - External	100	Follow up on outstanding management action plans from external audits. (Co-sourced hours will be 100)
<b>Development - Operations</b>		
Annual Audit Report - Fiscal Year 2024	40	Report Internal Audit's activities to the Texas State Auditor as required by Texas Internal Auditing Act.
SFA Meetings and Events	100	Attendance at SFA meetings and other events for informational and operational purposes (i.e. semester welcome, service awards, receptions).
Staff Meetings	288	Recurring staff meetings.
Internal Audit Committee	240	Prepare for internal audit committee meetings; attend meetings; prepare minutes and summaries; and engage with current and prospective external members of the committee.

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Engagement	Budget	General Objective/Description
UT System Meetings	100	UT System Audit Office meetings, including CAE, IAC (non-CPE related), eCase Champion, IT auditors, other meetings not specific to System initiatives.
Technical Support	40	Troubleshooting IT and other workforce issues, including audit software/tools. Reserved for CAE & Assistant CAE.
Quality Assurance and Improvement Plan	300	Perform internal quality procedures and annual internal assessment, Standards gap analysis, participate on assessment teams, updating audit procedures, records management, etc. Required by Standards.
Management and Leadership of the Department	200	Includes hiring, development, budgeting, performance appraisals, administrative duties, leadership, promoting the internal audit department, executive meetings, and all other responsibilities of the CAE/Asst CAE that are not directly attributable to a specific audit project.
Responding to External Requests for Information	20	Requests for reporting from UT System, the SAO, and other external agencies.
Risk Assessment and Fiscal Year 2026 Audit Plan	200	Perform the annual risk assessment and develop the Fiscal Year 2026 audit plan.
<b>Development - Initiatives and Education</b>		
Professional Development	288	Professional development for staff, includes CPE, non CPE, and travel time.
Certifications	60	Time spent on certification study and testing per SFA Audit Manual guidance.
Participation in Professional Organizations	100	Participate in professional organizations (boards, committees).
SFA Audit Strategic Initiatives	40	Development of strategic initiatives in Internal Audit.
UT System Audit Office Initiatives	40	Participate in UT System Audit Office initiatives (i.e. committees, workgroups, research).
<b>Total Budgeted Hours</b>	<b>6,740</b>	

### High-Risk Areas not Covered in Audit Plan

Critical and high-risk areas identified by Audit Services but not included in the fiscal year 2025 audit plan are related to the following:

- Strategic Planning.
- Enrollment growth and retention.
- Human Resources.
- Information Technology and Security.
- Budgeting and Decision Support.

While related engagements are currently not part of the fiscal year 2025 audit plan, there are other mitigating activities underway that address the objectives at risk.

### Risk Assessment Methodology

The University continually assesses risk at all levels. Risks are discussed and evaluated as new regulations are proposed and enacted; management changes occur; information technology upgrades or changes are made; goals and objectives are set and reviewed; and other factors as necessary. The Executive Compliance Committee helps facilitate the continual assessment of risks through the assignment of responsibility for compliance areas. The President’s Cabinet also discusses risks on an ongoing basis.

During the fiscal year 2025 audit planning process, Audit Services used the risk assessment methodologies as outlined below:

- **Research** - Researched emerging risks and industry-specific risks for applicability to the University. In addition, reviewed past risk assessments, including those from other UT institutions. Other resources for this evaluation include past audits (internal and external), collective audit experience, guidance from the UT System, and discussions of risks with the Internal Audit Committee.
- **Survey of Risks** - Collaborated with the Compliance Coordinating Committee to develop a survey of risks. One hundred twenty-four members (100% response rate) of the University community including administrators, deans, department chairs, and directors participated in the survey. The survey required each respondent to assess the impact along with the probability of the risk occurring for twenty-seven identified risks as high, medium, or low. In addition, sixty-one departmental questions were asked to assess departmental risks. The survey also asked respondents to identify any other risks or potentially fraudulent activities. The top ten risks were presented to the CCC and President’s Cabinet in June 2024, and the Internal Audit Committee in July 2024.
- **Interviews** - Meetings were held with key stakeholders to discuss risks that may affect the accomplishment of campus-wide and department-level strategic initiatives and significant objectives.
- **Inventory of Risks** - Standardized UT System tools were employed to document the assessment of risks. Risks were scored based on factors of probability and impact. All critical and high risks require either an audit or some other form of risk mitigation.

**Probability:** The likelihood that a risk will occur (harming a business objective) due to inadequacy in internal control systems (management, operations, or process); and/or the likelihood that an external threat (regulatory, financial, or market) or systemic issue will cause the risk to occur.

**Impact:** The extent to which a risk (if realized) would impact the organization, considering the importance of the business objective harmed and the nature and volume of the harm that will be done.

### Texas Administrative Code, Chapter 202 (Information Security Standards)

Information technology infrastructure and information security risks are considered during the risk assessment. As a result, a privileged access management assurance engagement was included in the fiscal year 2025 audit plan.

### Benefits Proportionality Audit Requirements

As required by Rider 8, page III-55, of the General Appropriations Act (87th Legislature) Audit Services considered the risk that benefits were not paid proportionate to the source of funding, which could result in excess reimbursement from State appropriated funds. Based on the risk assessment and previous audit results, an engagement specific to benefit proportionality was not included in the plan.

### Texas Government Code, Section 2102.005(b)

The Act requires internal auditors to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts while conducting audits. Risks for contract processes and controls were considered during the risk assessment. While a specific audit engagement was not included in the plan, contract processes and controls are assessed during many of the engagement we perform.

## Section VII. Reporting Suspected Fraud and Abuse

### Requirement:

- Include a brief description of the entity's actions taken to comply with the fraud reporting requirement of Section 7.09, Page IX-40, the General Appropriations Act (88<sup>th</sup> Legislature).
- Include a brief description of the entity's process to comply with the investigation coordination requirements of TGC, Section 321.022.

**Note:** Examples could include (1) information provided on the entity's website that indicates how to report suspected fraud, waste, or abuse involving state resources directly to the SAO and (2) a brief description of the entity's procedures for reporting suspected fraud, waste or abuse involving state funds to the SAO.

### General Appropriations Act, Sec. 7.09, Page IX-40 - Fraud Reporting

A state agency or institution of higher education appropriated monies by this Act shall use appropriated monies to assist with the detection and reporting of fraud involving state monies by:



- (1) providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and
- (2) including in the agency or institution's policies information on how to report suspected fraud involving state monies to the State Auditor's Office.

#### **TGC 321.022 - Coordination of Investigations**

- (a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.
- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- (c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

## **Fraud Reporting**

Actions taken by the University to comply with the General Appropriations Act, Section 7.09, Page IX-40, are as follows:

- SFA provides a link for reporting fraud on the SFASU website homepage at <https://www.sfasu.edu>. This link provides information on how to report suspected fraud, including the SAO hotline number.
- SFA HOP Policy 01-403, *Dishonest or Fraudulent Activities*, includes the website and phone number to report fraud to the State Auditor's Office. The policy may be found at <https://www.sfasu.edu/docs/hops/01-403.pdf>.
- SFA distributes fraud posters that include the website and phone number to report fraud to the State Auditor's Office. A copy of the poster is included as Appendix C.

## **Coordination of Investigations**

Actions taken by the University to comply with TGC 321.022 are summarized below.

- The Chief Audit Executive and General Counsel lead investigations based on reports.
- The Chief Audit Executive coordinates investigations with the SAO when necessary. SFA complies with this in conjunction with the UTS Policy UTS 118, *Statement of Operating Policy Pertaining to*

*Dishonest or Fraudulent Activities*, located at <https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulentactivities>.

## Appendix A. Fiscal Year 2024 Observations and Action Plans

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<b>23-V Higher Education Emergency Relief Funds – Student Portion as of January 31, 2023</b> (Carryforward from FY2023) Report Released 10/06/23		
<p><b>Observation:</b> During our review, we noted the following:</p> <ul style="list-style-type: none"> <li>HEERF I and II student awards were not fully aligned with initially established criteria.</li> <li>Some supporting documentation relating to HEERF student awards was not readily available.</li> </ul> <p><b>Observation Rating:</b> High</p> <p><b>Recommendation:</b> The Office of Financial Aid and Scholarships (the Office) should further document any variation of actual award practices to initially established criteria. In addition, the Office should strengthen record retention procedures.</p>	The Office will document any variation of actual award practices to initially established criteria and strengthen record retention procedures.	Implemented
<b>23-VII Contract Management and Procurement as of May 31, 2023</b> (Carryforward from FY2023) Report Released 10/06/23		
<p><b>Observation:</b> During our audit procedures, we noted 2 of 2 (100%) instances requiring LBB notification were not reported timely.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Procurement and Business Services should strengthen procedures to ensure contracts are reported to the LBB within the required timeframe.</p>	Procurement and Business Services will strengthen procedures to ensure contracts are reported to the LBB within the required timeframe.	Ongoing
<b>IP 23-20 Equine Center</b> Report Released 10/06/23		
<p><b>Observation:</b> While performing the inventory, we noted the following:</p> <ul style="list-style-type: none"> <li>The Equine Center’s University property listing reflected 28 horses SFA-owned horses. 1 of 28 (4%) SFA-owned horses was sold on April 5, 2023, however, was still reflected in the inventory records.</li> <li>The Equine Center did not have a formalized methodology for determining when livestock that is produced and retained by the Equine Center are added to the University property listing.</li> <li>The Equine Center utilizes a notebook to manage the horses located at the facility. Audit Services used the</li> </ul>	The Equine Center should strengthen procedures for managing inventory such as a real-time electronic database.	Implemented

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status																		
<p>notebook to aid in the completion of the inventory. While the notebook was useful, it did not include a complete, accurate inventory. We documented a total of 65 livestock present at the facility.</p> <ul style="list-style-type: none"> <li>○ Notebook did not reflect 5 horses that were on site.</li> <li>○ Notebook did not reflect 14 foals, fillies, and colts that were on site.</li> <li>○ Notebook reflected 1 horse that was not on site</li> <li>○ Of the 47 horses in the notebook, 4 (9%) reflected discrepancies in ownership.</li> <li>○ Of the 47 horses in the notebook, 34 (72%) reflected discrepancies for location within the facility. In addition, a map was not readily available showing the current location of horses at the facility.</li> </ul> <ul style="list-style-type: none"> <li>● Contractual agreements are required for services provided to nonSFA-owned livestock. There were 25 horses receiving services that required a contract; 6 (24%) contracts were not on file.</li> </ul> <p><b>Observation Rating:</b> High</p> <p><b>Recommendation:</b> The Equine Center should strengthen procedures for managing inventory such as a real-time electronic database.</p>																				
<p><b>Observation:</b> While performing our review, we noted the following related to receipts and revenue:</p> <table border="1" data-bbox="159 1270 808 1606"> <thead> <tr> <th>Receipt Control</th> <th>Department</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>No</td> </tr> <tr> <td>Receipts Signage</td> <td>No</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>Yes</td> </tr> <tr> <td>Timely Deposit</td> <td>No</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>Yes</td> </tr> <tr> <td>Receipts and Deposits Training</td> <td>No</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>● In addition, we noted several instances where contractual payments for boarding services were not in accordance with contract terms.             <ul style="list-style-type: none"> <li>○ 9 of 14 (64%) boarders were past due. Upon a review of payment activity for fiscal year 2023, we noted that 48% of boarding payments were late. The Equine Center had not consistently applied interest to these late payments as allowed by the contracts.</li> </ul> </li> </ul>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	No	Fully Completed Receipts	Yes	Receipts and Deposits Training	No	<p>The Equine Center will add and strengthen procedures to ensure compliance with University regulations for receipts and contractual agreements for the payment of services and sale of livestock. In addition, the Equine Center will be transitioning away from boarding services by the end of the calendar year.</p>	<p>Implemented</p>
Receipt Control	Department																			
Proper Segregation of Duties	No																			
Written Receipt Procedures	No																			
Receipts Signage	No																			
Record Retention Requirement	Yes																			
Job Description Language	Yes																			
Timely Deposit	No																			
Fully Completed Receipts	Yes																			
Receipts and Deposits Training	No																			

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<ul style="list-style-type: none"> <li>○ 4 of 14 (29%) boarders were not paying the contract rate. It appears that services provided were revised during fiscal year 2023; however, an executed addendum to the contracts were not on file.</li> <li>● Supporting documentation for the sale of livestock was not readily available for all sales reviewed.</li> </ul> <p>*Covered under University Policy 3.26, <i>Receipts and Deposits</i> prior to September 1, 2023.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The Equine Center should add or strengthen procedures to ensure compliance with University regulations for receipts and contractual agreements for the payment of services and sale of livestock.</p>		
<p><b>Observation:</b> While performing additional procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>● 4 of 4 (100%) employees identified as needing youth protection training were past due or had not completed the training.</li> <li>● 1 of 1 (100%) employee was past due on Receipts training.</li> </ul> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The employees should complete the required trainings.</p>	<p>The employees will complete the required trainings.</p>	<p>Implemented</p>
<p><b>Observation:</b> During our review, we noted the following.</p> <ul style="list-style-type: none"> <li>● 1 of 1 (100%) employee was past due on MUV training.</li> <li>● 1 of 1 (100%) employee had an expired University Driver Certification.</li> </ul> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The Equine Center should strengthen procedures to ensure compliance with University regulations for the use of University vehicles and MUVs. In addition, the employee should complete the required trainings.</p>	<p>The Equine Center will strengthen procedures to ensure compliance with University regulations for the use of University vehicles and MUVs and the employee will complete the required trainings.</p>	<p>Implemented</p>
<p><b>Observation:</b> During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>● The Equine Center did not have a formalized procedure for the registering of produced livestock.</li> </ul>	<p>The University has requested a refund from the American Paint Horse Association for the procurement card charges. The Equine Center will</p>	<p>Implemented</p>

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<ul style="list-style-type: none"> <li>A procurement card was used to register produced livestock that was sold after the card was forfeited. It appears that the card information may have been attached to the website where registration is completed.</li> </ul> <p><b>Observation Rating:</b> Low</p> <p><b>Recommendation:</b> The University should determine whether funds should be paid back for the inappropriate use of the procurement card. The Equine Center should strengthen procedures for the registering of produced livestock.</p>	<p>strengthen procedures for the registering of produced livestock.</p>	
<p><b>IP 23-24 Athletic Meal Money</b>  <b>Report Released 10/06/23</b></p>		
<p><b>Observation:</b> During our review, we noted Accounts Payable and Intercollegiate Athletics did not have formalized procedures for the handling and monitoring of payments to intercollegiate athletics for meal money.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Management should formalize procedures for the handling and monitoring of payments to intercollegiate athletics for meal money. In addition, the University should give consideration to implementing a non-cash solution for these payments.</p>	<p>The VPFA Division will work to document formalized procedures for the handling and monitoring of payments to intercollegiate athletics for meal money. Efforts will continue to a find non-cash solution to fund athletic meals.</p>	<p>Ongoing</p>
<p><b>SP 23-C Uniform Statewide Accounting System Reconciliation Process Review</b>  <b>Report Released 01/26/24</b></p>		
<p><b>Observation:</b> While performing the review, we noted the following:</p> <ul style="list-style-type: none"> <li>The Office of Financial Reporting (the Office) was unable to provide reconciliations between the University's general ledger and USAS for reimbursements and/or transfers relating to State appropriations.</li> <li>The Office does not have formally documented USAS reconciliation procedures.</li> </ul> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The Office should continue to develop and formally document a monthly USAS reconciliation process that reconciles all USAS reimbursements and transfers with the University's general ledger. In addition,</p>	<p>The Office will continue to develop and formally document a monthly USAS reconciliation process and will strengthen record retention practices.</p>	<p>Ongoing</p>

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<p>the Office should strengthen record retention practices to ensure supporting documentation can be provided timely.</p>		
<p><b>24-102 IT Asset Management as of October 31, 2023</b>  <b>Report Released 04/01/24</b></p>		
<p><b>Observation:</b> The University does not have a fully developed and formalized IT asset management program. While performing our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• The University does not define IT assets and has not determined which IT assets should be included in the ITAM program.</li> <li>• The University does not have a complete and accurate listing of University-defined IT assets as evidenced by a large number of desktops not on the IT hardware inventory.</li> <li>• The hardware inventory provided did not contain key information such as location, serial number, asset owner, and a consistent asset naming convention.</li> <li>• IT asset inventories have not been reviewed by management on a regular basis.</li> <li>• A deny-all process for unauthorized software is not in place.</li> <li>• During our detailed testing, we noted the following:                             <ul style="list-style-type: none"> <li>○ 6 of 20 (30%) IT assets selected for review were inoperable or not imaged despite being listed as “in use” in the property records.</li> <li>○ 9 of 14 (64%) IT assets reviewed were using an outdated version of antivirus.</li> <li>○ 3 of 14 (21%) IT assets reviewed had unauthorized software installed.</li> </ul> </li> </ul> <p><b>Observation Rating:</b> High</p> <p><b>Recommendation:</b> The University should continue to develop and formalize the ITAM program in coordination with the revised UTS Policy 165, <i>Information Resources Use and Security Policy</i>, to ensure compliance with UTS policy, State guidance, and internal procedures.</p>	<p>ITS will continue to develop and formalize the ITAM program to ensure compliance with UTS policy, State guidance, and internal procedures in a phased approach.</p>	<p>Ongoing</p>
<p><b>24-103 Diversity, Equity, &amp; Inclusion (TEC 51.3525) as of May 31, 2024</b>  <b>Report Released 08/13/24</b></p>		
<p><b>Observation:</b> The University administers some scholarships that include unallowable qualifiers.</p> <p><b>Observation Rating:</b> Medium</p>	<p>Unallowable qualifiers will be removed from the University’s electronic scholarship application. Any scholarship gift agreements that have any unallowable qualifiers in the</p>	<p>Ongoing</p>

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<p><b>Recommendation:</b> Management should strengthen procedures to ensure scholarships that have unallowable qualifiers are not administered by University employees.</p>	<p>endowment fund title or description, will be inaccessible in the scholarship software, until the gift agreement is amended or if the living benefactor desires the unallowable qualifiers not be removed, the fund will be transferred to UT Foundation for management.</p>	
<p><b>Observation:</b> The University has not developed a monitoring plan to ensure ongoing compliance with TEC §51.3525 and UTS 197.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The University should develop a formal monitoring plan to ensure ongoing compliance with TEC §51.3525.</p>	<p>The University will establish a formal monitoring plan.</p>	<p>Ongoing</p>
<p><b>Observation:</b> The University has not developed a formal certification process to provide the president with reasonable assurance that all offices and departments of the University are operating in compliance with TEC §51.3525.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Management should develop and implement a formal certification process to ensure ongoing compliance with TEC §51.3525.</p>	<p>The University will establish and implement a formal certification process.</p>	<p>Ongoing</p>
<p><b>Observation:</b> The University does not specifically address disciplinary actions for conduct in violation of TEC §51.3525 for Administrative and Professional employees in policy or procedure.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Management should more clearly define disciplinary actions relating to non-compliance with TEC §51.3525 for Administrative and Professional employees in University policy or procedure.</p>	<p>The University will review and take appropriate steps to modify HOP 03-201 as appropriate.</p>	<p>Ongoing</p>
<p><b>Observation:</b> The University had not removed several unallowable DEI references from its website and social media accounts.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Management should review the DEI references identified and, if appropriate, remove or archive them from the University's website and/or social media</p>	<p>Management has removed references to DEI which are in violation of TEC §51.3525 and/or UTS 197. The Division of Academic Affairs will review course syllabi to ensure they do not contain references to DEI which are in violation of TEC §51.3525 and/or UTS 197.</p>	<p>Ongoing</p>



STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
accounts. In addition, management should review the identified syllabi and take appropriate action for those syllabi for future semesters.		
<p><b>Observation:</b> References in wayfinding signage, murals, and posters to unallowable DEI activities were present in locations on campus.</p> <p><b>Observation Rating:</b> <span style="background-color: #90EE90;">Low</span></p> <p><b>Recommendation:</b> Management should review all physical spaces on campus to ensure unallowable DEI references are removed.</p>	Departments have been directed to remove unallowable DEI references.	Ongoing
<p><b>Observation:</b> Two SFA-managed DEI social media accounts, although dormant, were active.</p> <p><b>Observation Rating:</b> <span style="background-color: #90EE90;">Low</span></p> <p><b>Recommendation:</b> Management should take appropriate action to deactivate the accounts.</p>	The two SFA-managed DEI social media accounts have been deactivated.	Implemented
<p><b>Observation:</b> Instances of possible DEI-funding were noted.</p> <ul style="list-style-type: none"> <li>• Budgeted funds not expended prior to January 1, 2024, in DEI accounts had not been reallocated.</li> <li>• Expenditures totaling \$865.67 in DEI accounts subsequent to January 1, 2024.</li> <li>• DEI accounts were active in Banner, and therefore, could be used for expending funds.</li> <li>• A dining services program master services agreement made July 1, 2021 with Compass Group USA, Inc. through its Chartwells Division, includes an annual donation of \$5,000 to a University Diversity Fund.</li> </ul> <p><b>Observation Rating:</b> <span style="background-color: #90EE90;">Low</span></p> <p><b>Recommendation:</b> Management should review DEI accounts to ensure budgeted funds are reallocated, expenditures are appropriately recorded, and DEI accounts are deactivated to prevent utilization. In addition, management should review and document the purpose and appropriate use of the annual Chartwells donation.</p>	Budgeted funds which represented savings have been reallocated in the FY25 Budget; expenditures were not for DEI activities and have been reclassified to the appropriate expenditure account; DEI accounts have been set to “no data entry” in the Banner system; and a memorandum of understanding has been executed that changes the annual contribution from diversity to student success.	Implemented
<p><b>IP 24-13 Student Service Fees Report Released 07/19/24</b></p>		
<p><b>Observation:</b> During our review, we noted that the Student Service Fee is allocated to some student service activities that require enrollment in an academic course and,</p>	The Student Service Fee Committee has strengthened procedures for allocating student services fees. The committee reviewed and updated as appropriate	Implemented

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

Observation / Recommendation (see ratings at end of the appendix)	Management's Response	Status
<p>therefore are not completely separate from regularly scheduled academic functions.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The Student Service Fee Committee should strengthen procedures for allocating student service fees to ensure activities funded from student service fees are appropriate and in accordance with State regulations and University HOP.</p>	<p>the funding criteria and guidelines to align with state regulations and University policies. The updated criteria were used for the fiscal year 2025 allocation cycle.</p>	
<p><b>Observation:</b> During our review, we noted the final recommendations made by the committee were not made public.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> The Student Service Fee Committee should strengthen procedures for publishing the final recommendations made by the committee as required by TEC §54.5033(c).</p>	<p>The Student Service Fee Committee has strengthened procedures for publishing the final recommendations made by the committee. Final recommendations for the fiscal year 2025 allocation cycle have been posted on the Student Service Fee website.</p>	Implemented
<p><b>23-IX Construction Management Close Out Fine Arts Expansion and Renovation as of August 31, 2023 (Carryforward from FY2023)</b>  <b>Report Released 09/24/24</b></p>		
<p><b>Observation:</b> The review identified \$156,362.01 (0.37% of total project costs reviewed) in questionable project costs. This amount does not include \$705,542 in subcontractor change orders that were not reviewed as there was no detailed itemized pricing in support of the labor, materials, and equipment amounts as required by Texas Uniform General Conditions.</p> <p><b>Observation Rating:</b> Medium</p> <p><b>Recommendation:</b> Finance and Administration should review the questionable project costs and determine appropriate disposition.</p>	<p>Finance and Administration reviewed, in consultation with UTS, the questionable project costs and determined \$34,000 is due to contractor. The adjustment will be reflected in the final application for payment for the project.</p>	Implemented

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors. The table below provides a description of the audit observation ratings used by Audit Services.

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
 25-200 ANNUAL INTERNAL AUDIT REPORT

---

Rating	Description
<b>Priority</b>	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
<b>High</b>	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
<b>Medium</b>	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
<b>Low</b>	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.

## Appendix B. Peer Review Report

# Stephen F. Austin State University

## Quality Assurance Review

June 7, 2022



## Department of Audit Services

Jane Ann Bridges, CPA, CIA, Interim Chief Audit Executive  
Box 6121, SFA Station  
Nacogdoches, Texas 75962  
Phone 936-468-5204  
Fax 936-468-7698  
Email [bridgesja1@sfasu.edu](mailto:bridgesja1@sfasu.edu)



System Internal Audit  
**THE TEXAS A&M UNIVERSITY SYSTEM**

June 7, 2022

Mr. Tom Mason  
Board of Regents  
Finance and Audit Committee Chair  
P.O. Box 13026  
Nacogdoches, Texas 75962

Dear Mr. Mason:

I have completed an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by the university's chief audit executive on March 31, 2022. The objective of the validation was to provide reasonable assurance that the internal auditing program conforms with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors' (IIA) *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and U.S. Government Accountability Office Government Auditing Standards. This objective was addressed through interviews of selected stakeholders to the internal audit function; review of documents prepared by the Internal Audit Department (Department); and evaluation of the Department's work products from a sample of audit reports. These activities were performed during April and May 2022.

Based on the information received and evaluated, I agree with the Department's opinion that it **Generally Conforms** with the Texas Internal Auditing Act, the IIA *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and U.S. Government Accountability Office Government Auditing Standards in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. The validation was conducted using the State Agency Internal Audit Forum Peer Review guidelines and Master Peer Review Program as guidance.

The cooperation and assistance provided throughout the course of the review by Internal Audit and the Stephen F. Austin community is greatly appreciated.

Sincerely,

Charlie Hrcir, CPA  
Chief Auditor  
The Texas A&M University System

cc: Dr. Steve Westbrook, Interim President  
Jane Ann Bridges, Interim Chief Audit Executive

Stephen F. Austin State University  
 Independent Validation of Internal Audit's Quality Assurance Self-Assessment Report

---

## Overall Conclusion

The internal audit function Generally Conforms with the Texas Internal Auditing Act, the IIA Code of Ethics and International Standards for the Professional Practice of Internal Auditing (Standards), and U.S. Government Accountability Office Government Auditing Standards (GAGAS) in all material respects during the period under review. I agree with the results of the self-assessment performed by the Department of Audit Services (Department).

The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

- “Generally Conforms” means that the Department has policies, procedures, and a charter that were judged to be in accordance with the standards, even if opportunities for improvement may exist
- “Partially Conforms” means deficiencies, while they might impair, did not prohibit the Department from carrying out its responsibilities
- “Does Not Conform” means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the Department from carrying out its responsibilities

The following table lists the specific sections of the IIA Standards, Code of Ethics, and GAGAS and contains my opinion of how the activities of the Department conform to each section:

Standard Type and Description	Opinion
<b><i>IIA Attribute Standards:</i></b>	
1000 Purpose, Authority, and Responsibility	Generally Conforms
1100 Independence and Objectivity	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Program	Generally Conforms
<b><i>IIA Performance Standards:</i></b>	
2000 Managing the Internal Audit Activity	Generally Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Generally Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms
<b><i>The Institute of Internal Auditors' Code of Ethics</i></b>	
Generally Accepted Government Auditing Standards	Generally Conforms
Texas Internal Auditing Act	Generally Conforms

Stephen F. Austin State University  
Independent Validation of Internal Audit's Quality Assurance Self-Assessment Report

---

## Engagement Overview

### Background

Internal audit functions within Texas state agencies, including higher education systems and institutions, are required to conform with:

- The Texas Internal Auditing Act (Texas Government Code, Chapter 2102),
- The Institute of Internal Auditors (IIA) *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*, and
- U.S. Government Accountability Office Generally Accepted Government Auditing Standards (GAGAS).

These standards require internal audit functions to undergo periodic external quality assurance reviews to assess conformance with the standards at least every three years. The Department completed its last external quality assurance review in August 2019.

### Objective, Scope, and Methodology

The objective of the validation was to provide reasonable assurance that the internal auditing program conforms to the standards listed above and to appraise the quality of its operations. The scope of the review covered the time period from June 1, 2019, through March 31, 2022.

The objective was accomplished through the following procedures:

- Interviews of selected stakeholders of the internal audit function, including the Board of Regents' Finance and Audit Committee Chair
- Interviews of staff members
- Review of the previous external quality assurance report
- Review of internal audit charter
- Review of the organizational structure and reporting lines of the audit function
- Review of the qualifications and training histories of the audit staff
- Review of the annual risk assessment, audit plan, audit manual, follow-up reports, and other materials prepared by the Department
- Review of the quality assurance and improvement program
- Examination of a sample of the Department's work products and audit reports

These activities were performed during April and May 2022.

Stephen F. Austin State University  
Independent Validation of Internal Audit's Quality Assurance Self-Assessment Report

---

Report Distribution

Steve Westbrook, Interim President  
David R. Alders, Regent  
Robert Flores, Regent  
Karen Gantt, Regent, Chair  
Brigettee C. Henderson, Regent  
Tom Mason, Regent, Finance and Audit Committee Chair  
Judy Olson, Regent  
Laura Rectenwald, Regent  
Nancy C. Windham, Regent  
Jennifer Winston, Regent, Secretary  
Spencer Coffey, Student Regent  
Jane Ann Bridges, Interim Chief Audit Executive





## STEPHEN F. AUSTIN STATE UNIVERSITY

### Department of Audit Services

P.O. Box 6121, SFA Station • Nacogdoches, Texas 75962-6121  
Phone (936) 468-5204 • Fax (936) 468-7698

March 31, 2022

Mr. Tom Mason  
Board of Regents  
Finance and Audit Committee Chair  
Stephen F. Austin State University  
P.O. Box 13026  
Nacogdoches, TX 75962

RE: Quality Assurance Review Self-Assessment Report

Dear Regent Mason:

### Background

The *Texas Internal Auditing Act* (Texas Government Code Chapter 2102) requires an internal audit function in a State of Texas agency or higher education institution with an annual operating budget greater than \$10 million; more than 100 full time equivalents as authorized by the General Appropriations Act; and receipts of more than \$10 million in cash in a fiscal year. The Texas Internal Auditing Act was effective in 1993; however, SFASU Audit Services was established much earlier in 1976.

The mission of Audit Services is to provide the Board of Regents (BOR) and the President an independent appraisal of the University's system of internal administrative and accounting controls and quality of performance when compared with established standards. The primary objective is to assist the BOR, President, and University management in the effective discharge of their responsibilities and serve as a trusted advisor in the areas of governance, risk management, and internal controls. The responsibilities are outlined in the BOR approved Internal Audit Charter and the BOR Rules and Regulations. The Chief Audit Executive (CAE) reports to the BOR.

Audit Services operates with a CAE, Assistant CAE, two Risk and Compliance Auditors, and a graduate research assistant. Gina Oglesbee has served as CAE since March 1, 2005.

### Executive Summary

Audit Services has completed a QAR Self-Assessment of the internal audit function. The principal objective was to assess Audit Services' compliance with the *Texas Internal Auditing Act*; the Institute of Internal Auditors (IIA) *Code of Ethics*; *International Standards for the Professional Practice of Internal Auditing*; and *Generally Accepted Government Auditing*

[www.sfasu.edu](http://www.sfasu.edu)



*Standards* in effect at the time the audits were conducted, herein, collectively referred to as “Standards”. There are three levels of conformity with the *Standards*: *Generally Conforms*, *Partially Conforms*, and *Does Not Conform*. It is our overall opinion that Audit Services *Generally Conforms* to the *Standards*.

**QAR History**

Under *Generally Accepted Government Auditing Standards*, an external assessment is required to be performed at least once every three years by a qualified independent reviewer from outside the organization. Audit Services has received an external validation assessment every three years as follows:

Year	Reviewer	Validation Opinion
2004	Toni Messer The University of Texas at Dallas	<i>Generally Conforms</i>
2007	Mike Vandervort The University of Texas at Austin	<i>Generally Conforms</i>
2010	Russell Hoskens University of Houston System	<i>Generally Conforms</i>
2013	Ken Schroeder University of Texas at Arlington and Lou Ann Viergever University of Texas at Tyler	<i>Generally Conforms</i>
2016	Jason Mallory and Tahlia Pena Texas State Technical College	<i>Generally Conforms</i>
2019	Robert Carter Baylor University	<i>Generally Conforms</i>

**Scope and Methodology**

The scope of the QAR Self-Assessment includes internal audit activities and audits issued from June 1, 2019 through March 31, 2022. Audit Services prepared a Self-Assessment Report along with supporting information. The QAR Self-Assessment was conducted using the State Agency Internal Audit Forum (SAIAF) Peer Review Guidelines and Master Peer Review Program as guidance.

The independent external validation of the QAR Self-Assessment will be conducted between April 1, 2022 and July 24, 2022. The independent external reviewer will review the QAR Self-Assessment Report and supporting information and perform validation procedures.



**Opinion as to Conformity with the Standards**

The rating system used for expressing an opinion for the QAR Self-Assessment provides for three levels of conformance as follows:

- *Generally Conforms* means that Audit Services has policies, procedures, and a charter that were judged to be in accordance with applicable standards; however, opportunities for improvement may exist.
- *Partially Conforms* means deficiencies, while they might impair, did not prohibit Audit Services from carrying out its responsibilities.
- *Does Not Conform* means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit Audit Services in carrying out its responsibilities.

It is our overall opinion that Audit Services *Generally Conforms* to the *Texas Internal Auditing Act*; the *IIA Code of Ethics*; *International Standards for the Professional Practice of Internal Auditing*; and *Generally Accepted Government Auditing Standards* in effect at the time the audits were conducted.

The following table contains the opinion of Audit Services conformity to the *Standards*.

Standard Type and Description	Opinion
Texas Internal Auditing Act	<i>Generally Conforms</i>
Generally Accepted Government Auditing Standards	<i>Generally Conforms</i>
IIA International Attribute Standards	
1000 – Purpose, Authority and Responsibility	<i>Generally Conforms</i>
1100 – Independence and Objectivity	<i>Generally Conforms</i>
1200 – Proficiency and Due Professional Care	<i>Generally Conforms</i>
1300 – Quality Assurance and Improvement Program	<i>Generally Conforms</i>
IIA International Performance Standards:	
2000 – Managing the Internal Audit Activity	<i>Generally Conforms</i>
2100 – Nature of Work	<i>Generally Conforms</i>
2200 – Engagement Planning	<i>Generally Conforms</i>
2300 – Performing the Engagement	<i>Generally Conforms</i>
2400 – Communicating Results	<i>Generally Conforms</i>
2500 – Monitoring Progress	<i>Generally Conforms</i>



Standard Type and Description	Opinion
2600 – Communicating the Acceptance of Risks	Generally Conforms
IIA Code of Ethics	Generally Conforms

**Acknowledgements**

We look forward to the assistance of Mr. Charlie Hrncir, CPA, Chief Auditor for Texas A&M University System, in performing the external validation of the QAR Self-Assessment for Audit Services.

We appreciate the support of the Board of Regents, President, Administration, and the SFASU community in performing our duties as the internal auditors for Stephen F. Austin State University.

Sincerely,

Handwritten signature of Gina Oglesbee in blue ink.

Gina Oglesbee, CPA, CFE  
Chief Audit Executive

Handwritten signature of Jane Ann Bridges in blue ink.

Jane Ann Bridges, CPA, CIA  
Assistant Chief Audit Executive

- cc: Scott Gordon, President  
David R. Alders, Regent  
Robert Flores, Regent  
Karen Gantt, Regent, Chair  
Brigettee C. Henderson, Regent  
Judy Olson, Regent  
Laura Rectenwald, Regent  
Nancy C. Windham, Regent  
Jennifer Winston, Secretary  
Spencer Coffey, Student Regent

## Appendix C. Fraud Poster

**REPORT  
FRAUD, WASTE OR ABUSE  
IN STATE GOVERNMENT**

  
**STEPHEN F. AUSTIN  
STATE UNIVERSITY**  
NACOGDOCHES, TEXAS

**REPORT CONCERNS ANYTIME  
FROM ANYWHERE**

**SFA'S REPORTING LINE**  
EthicsPoint (Navex)  
☎ 1.866.294.9539  
🌐 ethicspoint.com  
📍 sfasu.edu (Click "Report Fraud" at bottom)

**TEXAS STATE AUDITOR'S OFFICE**  
☎ 1.800.TX.AUDIT (892.8348)  
🌐 sao.fraud.texas.gov  
📍 State Auditor's Office  
Attn: Investigations and Audit Support  
P.O. Box 12067  
Austin, Texas 78711

**QUESTIONS? Contact SFA's Department of Audit Services at 936.468.5204.**