

Stephen F. Austin State University

Annual Audit Report

For the Fiscal Year Ended

August 31, 2016



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

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**STEPHEN F. AUSTIN STATE UNIVERSITY
FISCAL YEAR 2016 ANNUAL AUDIT REPORT
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I.

Executive Summary

**STEPHEN F. AUSTIN STATE UNIVERSITY
DEPARTMENT OF AUDIT SERVICES
EXECUTIVE SUMMARY**

The purpose of this annual audit report is to provide information on the activities and the effectiveness of the internal audit function. In addition, the annual report assists central oversight agencies in work planning and coordination of efforts. This annual report is submitted in compliance with the Internal Auditing Act of the State of Texas (Government Code Chapter 2102) and the Rules and Regulations of the Board of Regents of Stephen F. Austin State University. The report format is recommended by the State Auditor's Office.

The mission of the Department of Audit Services is to provide the Board of Regents and President with an independent appraisal of the adequacy and effectiveness of the University's system of internal administrative and accounting controls and the quality of performance when compared with established standards. The primary objective is to assist the Board of Regents, the President, and University management in the effective discharge of their responsibilities.

Fiscal Year 2016 was a productive year for Audit Services as sixteen audits were completed. In addition, Audit Services participated as an advisory member on various University committees; performed numerous special projects; and investigated reports made through the University's fraud and ethics reporting system. Audit Services also had an external Quality Assurance Review as shown in Tab VI.

Effective March 1, 2016, Audit Services reorganized. An additional Risk and Compliance Auditor position was added, and the Auditor position was converted to an Audit and Legal Support specialist with time devoted 70% to Audit Services and 30% to General Counsel resulting in a .7 increase in Audit Services staff. The fiscal year 2016 audit plan was revised to account for the changes and approved by the Board of Regents on April 12, 2016 as shown in Tab III.

We appreciate the support received during the year from the Board of Regents, President, Administration, Faculty, and Staff of the University. Upon approval by the Board of Regents, this report will be distributed to the State Auditor's Office, the Office of the Governor, the Legislative Budget Board, the Sunset Advisory Commission, and posted on the Audit Services website.

Respectfully Submitted,

 10/27/16

Gina Oglesbee, CPA, CFE
Chief Audit Executive

II.

Compliance with Government Code 2102.015

**STEPHEN F. AUSTIN STATE UNIVERSITY
DEPARTMENT OF AUDIT SERVICES
COMPLIANCE WITH TGC SECTION 2102.015**

In order to comply with Texas Government Code, Section 2102.015 regarding posting the Audit Plan, Audit Annual Report, and other audit information on the internet website, the Department of Audit Services will post the 2016 Audit Annual Report, which includes the required items, on its internal audit website at <http://www.sfasu.edu/audit/> after approval by the SFASU Board of Regents.

III.

Internal Audit Plan for FY 2016 and Revised Audit Plan

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2016 University Budget All Funds: \$242,013,985

Total 2016 Budgeted Audit Positions: 4.5

FISCAL YEAR 2016 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Financial, Compliance, Efficiency & Effectiveness Audits		
Audit assistance to oversight agencies	Provide audit assistance to state and federal oversight agencies such as Texas State Auditor's Office, The Higher Education Coordinating Board, Texas State Comptroller's Office, and grant agencies	80
National Collegiate Athletic Association Review	Provide assistance to external firm performing review of SFASU athletic financial statement as required by NCAA	40
SFASU Charter School Audit	Provide assistance to external firm performing financial audit of SFASU Charter School	40
Travel Administration Audit	Review controls and compliance of new system	300
Admissions Audit	Review admission reports, controls, and procedures	450
Departmental Audits	Review for compliance with various regulations and efficiency & effectiveness	1000
Contract Management and Purchasing Audit	Review compliance with Senate Bill 20 requirements	450
Benefits Proportional by Fund Audit	Review controls, verify compliance, and reporting for FY 2012, 2013, and 2014	250
Facilities Audit	Review and test compliance with THECB requirements	60
Safety and Security Audit	Review required by TEC 51.217	350
Agency Accounts	Review procedures for agency accounts	100
Information Technology		
IT Meetings/Issues	Advise on issues affecting information technology and systems under development/enhancement	25
Texas Administrative Code Section 202 Audit	Review compliance with Information Security Standards	450
Learning System Audit	Review controls in Desire2Learn	400
Follow-up Audits	Obtain representations from management regarding status and perform verification as necessary	525
Special Projects		
Fraud & Ethics Program and Investigations	Facilitate university anonymous reporting system and investigations	150
Special Projects	Based on requests from Board of Regents, Administration, or others	150
Meetings & Committee Service		
Investment Committee	Serve as advisory member of committee	15
Administrative Meetings	Attend administrative meetings as requested	72
Other University Meetings/Events	Attend other meetings and events as deemed necessary	100
Regent Meetings and events	Preparation and attendance of meetings and events	120
Compliance Committee & Activities	Serve as advisory member of committee	60
Department Activities		
Annual Audit Plan and Report	Prepare annual audit plan and report	80
Audit Manual Revision	Update audit manual and forms	40
Annual Risk Assessment	Facilitate annual university risk assessment	75
Quality Assurance	Perform internal assessment and coordinate external assessment of compliance with standards	200
Records Management	Maintain file system and records for department	100
Software Maintenance and Training	Teammate and ACL audit software	120

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2016 University Budget All Funds: \$242,013,985

Total 2016 Budgeted Audit Positions: 4.5

FISCAL YEAR 2016 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Continuous Auditing	Develop tools and techniques	180
Professional Development and Travel	Professional development, maintain certifications, training, and travel	325
Staff Meetings	Weekly staff meetings	465
Audit Support	Audit and Legal Support Specialist	0
Legal Support	Audit and Legal Support Specialist	0
New Employee Training and Orientation	Training and Orientation	0
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	815
General & Administrative GA	Graduate Assistant help with routine audit department work	300
Total Allocated Hours		7,887
Total Hours Per Year	All staff	9,184
Less estimated:		
Sick Leave		(160)
Vacation		(542)
Holidays		(520)
Student Holidays (GA)		0
Wellness Release Time		(75)
Total Available Hours		7,887

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2016 University Budget All Funds: \$242,013,985

Revised 04-12-16

FISCAL YEAR 2016 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Financial, Compliance, Efficiency & Effectiveness Audits		
Audit assistance to oversight agencies	Provide audit assistance to state and federal oversight agencies such as Texas State Auditor's Office, The Higher Education Coordinating Board, Texas State Comptroller's Office, and grant agencies (moved to special projects)	0
National Collegiate Athletic Association Review	Provide assistance to external firm performing review of SFASU athletic financial statement as required by NCAA	60
SFASU Charter School Audit	Provide assistance to external firm performing financial audit of SFASU Charter School	25
Travel Administration Audit	Review controls and compliance of new system	285
Admissions Audit	Review admission reports, controls, and procedures	520
Departmental Audits	Review for compliance with various regulations and efficiency & effectiveness	1353
Contract Management and Purchasing Audit	Review compliance with Senate Bill 20 requirements	450
Benefits Proportional by Fund Audit	Review controls, verify compliance, and reporting for FY 2012, 2013, and 2014	290
Facilities Audit	Review and test compliance with THECB requirements	100
Safety and Security Audit	Review required by TEC 51.217	365
Agency Accounts	Review procedures for agency accounts	100
Information Technology		
IT Meetings/Issues	Advise on issues affecting information technology and systems under development/enhancement	25
Texas Administrative Code Section 202 Audit	Review compliance with Information Security Standards	500
Learning System Audit	Review controls in Desire2Learn	400
Follow-up Audits	Obtain representations from management regarding status and perform verification as necessary	500
Special Projects		
Fraud & Ethics Program and Investigations	Facilitate university anonymous reporting system and investigations	30
Special Projects	Based on requests from Board of Regents, Administration, or others	350
Meetings & Committee Service		
Investment Committee	Serve as advisory member of committee	15
Administrative Meetings	Attend administrative meetings as requested	72
Other University Meetings/Events	Attend other meetings and events as deemed necessary	100
Regent Meetings and events	Preparation and attendance of meetings and events	120
Compliance Committee & Activities	Serve as advisory member of committee	60
Department Activities		
Annual Audit Plan and Report	Prepare annual audit plan and report	80
Audit Manual Revision	Update audit manual and forms	40
Annual Risk Assessment	Facilitate annual university risk assessment	75
Quality Assurance	Perform internal assessment and coordinate external assessment of compliance with standards	200
Records Management	Maintain file system and records for department	60

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2016 University Budget All Funds: \$242,013,985

Revised 04-12-16

FISCAL YEAR 2016 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Software Maintenance and Training	Teammate and ACL audit software	80
Continuous Auditing	Develop tools and techniques	80
Professional Development and Travel	Professional development, maintain certifications, training, and travel	325
Staff Meetings	Weekly staff meetings	400
Audit Support	Audit and Legal Support Specialist	457
Legal Support	Audit and Legal Support Specialist	196
New Employee Training and Orientation	Training and Orientation	100
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	700
General & Administrative GA	Graduate Assistant help with routine audit department work	250
Total Allocated Hours		8,763
Total Hours Per Year	All staff	10,272
Less estimated:		
Sick Leave		(160)
Vacation		(542)
Holidays		(536)
Student Holidays (GA)		(196)
Wellness Release Time		(75)
Total Available Hours		8,763

IV.

FY 2016 List of Audits

**STEPHEN F. AUSTIN STATE UNIVERSITY
DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS COMPLETED**

#	REPORT NAME
16-I	Travel Program Administration Audit
16-II	Mathematics and Statistics Departmental Audit
16-III	Facilities Audit
16-IV	Benefits Proportional by Fund Audit
16-V	Admissions Audit
16-VI	Dean of Student Affairs Departmental Audit
16-VII	Marketing and Communications Departmental Audit
16-VIII	Learning Management System Audit – Carried Forward
16-IX	Human Services Departmental Audit
16-X	Safety and Security Audit
16-XI	Languages, Cultures, and Communication Departmental Audit
16-XII	Management, Marketing, and International Business Departmental Audit
16-XIII	Follow-Up Audit
16-XIV	TAC 202 Audit
16-XV	Contract Management and Purchasing Audit
16-XVI	Anthropology, Geography, and Sociology Departmental Audit
16-XVII	Agency Accounts Audit – Carried Forward
16-XVIII	Vice President of University Affairs Departmental Audit

Current status of findings/recommendations is based on the following definitions and dependent upon the target implementation date:

- Implemented: Successful development and use of a process, system, or policy to implement a recommendation.
- Ongoing: Ongoing development of a process, system, or policy to address a recommendation.
- Not Implemented: Lack of a formal process, system, or policy to address a recommendation.
- No Action Required: No findings/recommendations were made.

Detailed information is included in the schedule that follows.

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-I	June 30, 2015	Travel Program Administration	The objective of our audit was to determine that administration of the Banner travel and expense module and travel card program was established to ensure compliance with applicable university policies and state and federal regulations is achieved; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>While performing our procedures, we observed that the Travel Office has documented policies and procedures to guide employee actions and provide a segregation of duties in most travel program administrative activities. The following activities provide opportunities for strengthening internal controls:</p> <ul style="list-style-type: none"> • The reconciliation process between transactions in the Banner travel and expense module and Citibank is not formally documented. • A segregation of duties does not always exist in monitoring, reconciling, and approving travel program activities depending on which employees perform the duties. <p>The Travel Office should strengthen internal controls by formally documenting the reconciliation process and ensuring a segregation of duties in monitoring, reconciling, and approving functions.</p>	Implemented
16-II	August 31, 2015	Department of Mathematics and Statistics	Our audit objectives were to determine that controls exist in the Department of Mathematics and Statistics to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and	<p>During our audit, we noted the following:</p> <ul style="list-style-type: none"> • One employee did not complete property training. • Two employees have not completed receipts training. <p>The current employees should take the required trainings.</p>	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-II	August 31, 2015	Department of Mathematics and Statistics	reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>During our audit, we noted the following:</p> <ul style="list-style-type: none"> • The Department does not display the appropriate receipts signage where receipts are collected. • Deposits reviewed were lacking required documentation. • The Department's receipts procedures lacked important details. <p>The Department should strengthen receipts procedures to ensure compliance with University policy.</p>	Implemented
16-III	May 31, 2015	Facilities	The objective of our audit was to determine if the University complied with THECB regulations for facility development and real property project applications and approvals.	<p>The University executed three energy savings performance contracts during the audit period. The Board of Regents approved amounts covered the scope of work which was the amount financed for each phase of the project, but the approved amounts did not include the other services which were part of the contractual savings guarantee. As a result, the Board of Regents did not approve \$1,417,121.34 for Phases I and II and \$5,162,290.03 for Phase 3.</p> <p>Management should strengthen internal controls to ensure total contract amounts are approved by the Board of Regents as required by internal policy and that contracts are only executed for approved amounts. The contracts should be resubmitted to the Board of Regents for ratification.</p>	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-III	May 31, 2015	Facilities		<p>The Board of Regents authorized submitting approval for an energy savings performance project of \$20,000,000 to THECB for Phases I and II. As recommended by University administration for Phase III, the Board of Regents authorized Siemens Industry, Inc. to “engage phase three of an energy performance contract if energy savings are guaranteed that are sufficient enough to pay the cost of the contract”, and the president was authorized to sign the letter of intent, contract, and purchase order on April 15, 2014. However, the Board of Regents action item did not specifically include the approval to submit the project to THECB for Phase III as required by internal University policy. Approval was obtained from THECB as required by regulations.</p> <p>Management should strengthen internal procedures to ensure the Board of Regents approval to submit a project to THECB is specifically included in the Board of Regents action item as required by policy 1.4, <i>Items Requiring Board of Regents Approval</i>. Submission of Phase III of the Energy Savings Performance Project to THECB should be ratified by the Board of Regents to comply with internal University policy.</p>	Implemented
				<p>University policy 1.4, <i>Items Requiring Board of Regents Approval</i>, states the Board of Regents must approve “construction/renovation projects if the estimated cost is \$100,000 or more, including authority to submit the proposal to the Texas Higher Education Coordinating Board if the estimated project cost (includes all cost) is at least \$4,000,000 for new construction, \$4,000,000 for renovation, or as otherwise required under law.” THECB rules were changed in 2014 and approval limits increased from \$4 million to \$10 million.</p> <p>Administration should update policy 1.4, <i>Items Requiring Board of Regents Approval</i>, to reflect the current requirements of THECB.</p>	Implemented
16-IV	Fiscal Years 2014, 2013, 2012	Benefits Proportional by Fund	Our audit objective was to ensure that proportional benefits by fund are accurately calculated and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act.	Based on our audit, we reached the same conclusion as in SFASU 14-XVI, Benefits Proportional by Fund Audit. We found that the University used a system of paying salaries, wages, and benefits based on the educational and general University fund group. When State appropriations used to reimburse salaries and wages for educational and general employees were exhausted in summer months, salaries and wages were paid with institutional funds; however, some of the benefits associated with those salaries and wages were reimbursed with State appropriated benefit funds, and therefore the University did not fully achieve benefit proportionality in accordance with Article IX, Section 6.08 of the General Appropriations Act. The recommendations we made in our previous internal audit, SFASU 14-XVI, to increase compliance and strengthen controls and processes have been implemented.	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-V	Fall 2014	Admissions	The objectives of our audit were to ensure compliance with admission standards is achieved; documented policies and procedures exist and are adequate; admissions information is documented correctly, accurately reported, and retained appropriately; confidential or critical information is protected; the admissions process is efficient; and opportunities for fraudulent activities are minimized.	<p>The Board of Regents approved the admission standards as required; however, the standards only relate to first-time freshmen with a high school class rank. As a result, the standards do not include other types of applicants such as those from schools that do not rank students or home-schooled students. In addition, "by review only" is specified for applicants in the bottom quarter but is not specifically mentioned as an option for evaluating applicants in the other ranks if score minimums are not met.</p> <p>To clarify the admissions standards, the Enrollment Management Office should develop a more comprehensive admissions policy for Board of Regents approval.</p>	Implemented
				<p>Enrollment Management Office staff access or download admissions information for test scores, transcripts, and applications using individual or shared credentials. Written procedures for managing access are not fully developed.</p> <p>The Enrollment Management Office should expand its written procedures for managing and monitoring electronic data access.</p>	Implemented
16-VI	August 31, 2015	Dean of Student Affairs	Our audit objectives were to determine that controls exist in the Department of the Dean of Student Affairs to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and	<p>A proper segregation of duties does not exist in the receipts process. The Administrative Assistant is in charge of all three duties (collecting, depositing, and reconciling). In addition, the Department did not include all of the required documentation with the deposits reviewed.</p> <p>The Department should strengthen receipts procedures to ensure compliance with University policy.</p>	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-VI	August 31, 2015	Dean of Student Affairs	efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>While performing our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • 20 of 26 (77%) procurement card transactions were reviewed with no exceptions. • 6 of 26 (23%) procurement card transactions were reviewed with one exception related to food purchase documentation. <p>The Department should add or strengthen procedures for food purchases made with a procurement card.</p>	Implemented
16-VII	August 31, 2015	Department of University Marketing Communications	Our audit objectives were to determine that controls exist in the Department of University Marketing Communications to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>We noted that the Department had a deficit balance of \$64,745.38 for fiscal year 2015 in the Designated Publication Fee account. In addition, some expenditures charged to the account did not appear to relate to the Publication Fee funding source.</p> <p>The Department should continue to work with the Budget Office to formalize a plan to eliminate the deficit account balance. In addition, the Department should ensure that expenditures charged to the account relate to the funding source.</p>	Ongoing
				<p>Errors were found in one employee's time reports.</p> <p>The Department should strengthen supervisory review of employee time reports.</p>	Implemented
				<p>While performing our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • The Department has an outdated procurement card (P-Card) Use Form on file with the P-Card Coordinator. • 22 of 24 (92%) procurement card transactions tested were verified with no exceptions. • 2 of 24 (8%) procurement card transactions tested were verified with one exception. <p>The Department should complete a P-Card Use Form and add or strengthen procedures for procurement card purchases from discretionary funds to ensure compliance with University policies and procedures.</p>	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																																								
16-VIII	April 30, 2016	Learning Management System	Our audit objective is to evaluate general and application controls of the learning management system to ensure compliance with applicable university policies and state and federal regulations is achieved; university resources and activities are effectively and efficiently administered; identified risks are mitigated; information is accurate, complete and available; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	This audit has been carried forward to our fiscal year 2017 audit plan.	Ongoing																																								
16-IX	August 31, 2015	Department of Human Services	Our audit objectives were to determine that controls exist in the Department of Human Services to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>The Department has three different offices that collect receipts. We noted the following during our review of receipts for these offices:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Receipt Control</th> <th>Speech/Audiology Clinic</th> <th>Counseling Clinic</th> <th>Psychology Assessment Center</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>Yes</td> <td>No</td> <td>No</td> </tr> <tr> <td>Receipts Signage</td> <td>Yes</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>No</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Timely Deposit</td> <td>No</td> <td>No</td> <td>No</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>No</td> <td>No</td> <td>No</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>No</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>All Employees Trained</td> <td>Yes</td> <td>No</td> <td>No</td> </tr> </tbody> </table> <p>The Department should strengthen receipts procedures to ensure compliance with University policy.</p>	Receipt Control	Speech/Audiology Clinic	Counseling Clinic	Psychology Assessment Center	Proper Segregation of Duties	No	Yes	No	Written Receipt Procedures	Yes	No	No	Receipts Signage	Yes	Yes	No	Record Retention Requirement	Yes	Yes	Yes	Job Description Language	No	Yes	Yes	Timely Deposit	No	No	No	Adding Machine Tape/Summary	No	No	No	Fully Completed Receipts	No	Yes	No	All Employees Trained	Yes	No	No	Ongoing
Receipt Control	Speech/Audiology Clinic	Counseling Clinic	Psychology Assessment Center																																										
Proper Segregation of Duties	No	Yes	No																																										
Written Receipt Procedures	Yes	No	No																																										
Receipts Signage	Yes	Yes	No																																										
Record Retention Requirement	Yes	Yes	Yes																																										
Job Description Language	No	Yes	Yes																																										
Timely Deposit	No	No	No																																										
Adding Machine Tape/Summary	No	No	No																																										
Fully Completed Receipts	No	Yes	No																																										
All Employees Trained	Yes	No	No																																										

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-IX	August 31, 2015	Department of Human Services		<p>We selected 26 property inventory items, which was 10% of the total 258 items on inventory, for verification with the following results:</p> <ul style="list-style-type: none"> • 24 of 26 (93%) items were verified without exception. • 2 of 26 (7%) property items were found with one or more exceptions. <p>The Department needs to strengthen procedures to ensure compliance with University policy and the University's Property Management Manual.</p>	Implemented
				<p>While performing our audit procedures, we noted 96% of the expenditure items tested were verified with no exceptions. However, one of the monthly detail reports reviewed for procurement card transactions did not have a second signature.</p> <p>The Department should add or strengthen procedures for procurement card report approval.</p>	Implemented
				<p>The Department had two designated course fee accounts with a combined positive balance of approximately \$28,500 at the end of fiscal year 2015.</p> <p>The Department should review the course fees currently charged for propriety and determine the appropriate manner to expend the balance in the course fee account.</p>	Ongoing
				<p>We were provided bank signature cards for five student organizations identified as being associated with the Department. We determined the accounts are appropriately identified and not using the university's tax identification number. However, we did find that Department faculty members are authorized signatories on two of the five student organizations' bank accounts.</p> <p>The faculty members should remove themselves as authorized signatories on these student organization bank accounts.</p>	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-X	November 30, 2015	Safety and Security	The objective of our audit was to verify that the University's safety and security program is in compliance with TEC §51.217.	We agree with the Self-Assessment Report that the University is generally in compliance with TEC §51.217	No Action Required
16-XI	August 31, 2015	Department of Languages, Cultures, and Communications	Our audit objectives were to determine that controls exist in the Department of Languages, Cultures, and Communications to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	The Department receives royalty payments from the campus bookstores for publications. Since the receipts are infrequent, the Department was unaware of the receipt requirements outlined in University Policy 3.26. As a result, all revenue transactions tested were found with one or more exceptions. The Department should add or strengthen receipt procedures to ensure compliance with University policy.	Implemented
				We noted the following during our audit procedures: <ul style="list-style-type: none"> • Seven employees did not complete the Nepotism Disclosure. • Five employees did not complete the Outside Employment Disclosure. • Six employees did not complete the Vendor Relation Disclosure. The employees should complete the required disclosures.	Implemented

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																										
16-XII	August 31, 2015	Department of Management, Marketing, and International Business	Our audit objectives were to determine that controls exist in the Department of Management, Marketing, and International Business to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>We noted the following during our review of receipts for the Department:</p> <table border="1"> <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>Yes</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>Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>No</td> </tr> <tr> <td>Donation Form Completed</td> <td>N/A</td> </tr> <tr> <td>Voided Receipts Included</td> <td>No</td> </tr> <tr> <td>Voided Cash Receipts Approved</td> <td>No</td> </tr> <tr> <td>All Employees Trained</td> <td>No</td> </tr> </tbody> </table> <p>The Department should add or strengthen receipt procedures to ensure compliance with University policy.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Adding Machine Tape/Summary	Yes	Fully Completed Receipts	No	Donation Form Completed	N/A	Voided Receipts Included	No	Voided Cash Receipts Approved	No	All Employees Trained	No	Implemented
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				<p>We were provided bank signature cards for five student organizations identified as being associated with the Department. We determined the accounts were appropriately not using the university's name or tax identification number. However, we did find that a Department faculty member is an authorized signatory on three of the five student organizations' bank accounts.</p> <p>The faculty member should remove himself as an authorized signatory on the student organization bank accounts.</p>	Implemented																										
				<p>We noted the Department does not have written policies and procedures.</p> <p>The Department should develop written policies and procedures.</p>	Implemented																										

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-XIII	February 29, 2016	Follow-Up Audit	Our audit objective was to determine whether management action plans have been implemented in a timely and appropriate manner. The scope of our audit included outstanding management action plans as of February 29, 2016 which consisted of those remaining from our previous year follow-up audit as of August 31, 2015 along with management action plans from audits performed during fiscal year 2016 (as of the January 2016 Board of Regents meeting).	Significant progress has been made toward implementing the management action plans as evidenced by the thirty-seven (37) plans that are either Implemented or Verified which results in a 90% overall implementation rate.	Ongoing
16-XIV	February 29, 2016	TAC 202 Audit	Our objective was to determine whether the University's information security program is in compliance with the TAC 202 information security standards minimum requirements as detailed in the DIR Security Control Standards Catalog effective February 2016.	<p>Though the University has elements of the required policies incorporated in various University policies and procedures, the policies are not specifically named and developed to the level of granularity and consistency necessary to incorporate all elements of the security control standards.</p> <p>Information Technology Services should update and formalize current policies or develop specific policies as required by the Security Controls Catalog.</p>	Ongoing

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-XIV	February 29, 2016	TAC 202 Audit		<p>While performing our audit procedures to assess compliance, we found areas where the information security program is partially in compliance or not in compliance with the Security Controls Standards Catalog. The specific audit observations and recommendations are considered security sensitive; thus the details are not available for public distribution.</p> <p>Information Technology Services should evaluate and implement additional security controls in areas where the information security program is partially in compliance or not in compliance with the Security Controls Standards Catalog. Alternatively, Information Technology Services can accept and document the risk of partial or non-compliance by following the requirement of TAC 202.71 (c) which states, "The Information Security Officer with the approval of the state institution of higher education head may issue exceptions to information security requirements or controls in this chapter. Any such exceptions shall be justified, documented and communicated as part of the risk assessment process."</p>	Ongoing
16-XV	April 30, 2016	Contract Management and Purchasing Audit	<p>The objective of our audit was to verify that the University has adopted policies and procedures that include the modified and new requirements per Senate Bill 20 of the 84th Legislative Session. These additional requirements were effective September 1, 2015, thus our audit objective was limited to verifying that the University has adopted policies and procedures for these new requirements. Since Audit Services is required by TEC 51.9337 to annually audit these requirements, subsequent audits will examine compliance with the adopted policies and procedures.</p>	<p>We found that the University has made significant progress as of April 30, 2016 toward adopting the policies and procedures that include the modified and new requirements of Senate Bill 20 of the 84th Legislative Session. The fact that some policies and procedures are still in process of evaluation and implementation appears reasonable since the legislation allowed for adoption of policies and procedures "as soon as practicable".</p>	Ongoing

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																																							
16-XVI	August 31, 2015	Department of Anthropology, Geography, And Sociology	Our audit objectives were to determine that controls exist in the Department of Anthropology, Geography, And Sociology to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>The Department has two different offices that collect receipts. We noted the following during our review of receipts for these offices:</p> <table border="1"> <thead> <tr> <th>Receipt Control</th> <th>Administrative Office</th> <th>Cultural Heritage Lab</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Receipts Signage</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Timely Deposit</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>No</td> <td>No</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Donation Form Completed</td> <td>No</td> <td>No</td> </tr> <tr> <td>Voided Receipts Included</td> <td>No</td> <td>N/A</td> </tr> <tr> <td>Voided Cash Receipts Approved</td> <td>No</td> <td>N/A</td> </tr> <tr> <td>All Employees Trained</td> <td>No</td> <td>No</td> </tr> </tbody> </table> <p>The Department should add or strengthen receipt procedures to ensure compliance with University policy.</p>	Receipt Control	Administrative Office	Cultural Heritage Lab	Proper Segregation of Duties	No	No	Written Receipt Procedures	Yes	No	Receipts Signage	Yes	Yes	Record Retention Requirement	Yes	Yes	Job Description Language	Yes	No	Timely Deposit	Yes	Yes	Adding Machine Tape/Summary	No	No	Fully Completed Receipts	No	Yes	Donation Form Completed	No	No	Voided Receipts Included	No	N/A	Voided Cash Receipts Approved	No	N/A	All Employees Trained	No	No	Implemented
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				<p>The Department had one designated course fee account with a positive balance of approximately \$6,800 at the end of fiscal year 2015.</p> <p>The Department should review the course fees currently charged for propriety and determine the appropriate manner to expend the balance in the course fee account.</p>	Implemented																																							
				<p>During our review of time reporting, we found errors in one employee's time report.</p> <p>The Department should add or strengthen procedures to ensure compliance with university policies and procedures for time reporting.</p>	Implemented																																							

**STEPHEN F. AUSTIN STATE UNIVERSITY
LIST OF AUDITS FOR FISCAL YEAR 2015-2016**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																										
16-XVII	August 31, 2015	Agency Accounts	Our objective is to ensure the university has appropriate internal controls over agency accounts to safeguard funds; achieve compliance with applicable regulations; and minimize fraudulent opportunities.	This audit has been carried forward to our fiscal year 2017 audit plan.	Ongoing																										
16-XVIII	August 31, 2015	The Office of the Vice President of University Affairs	Our audit objectives were to determine that controls exist in the Office of the Vice President of University Affairs to ensure compliance with various university policies and applicable state and federal regulations; university resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>The Office collects a small number of receipts. We noted the following during our review of receipts:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Receipt Control</th> <th>The Office</th> </tr> </thead> <tbody> <tr><td>Proper Segregation of Duties</td><td>No</td></tr> <tr><td>Written Receipt Procedures</td><td>Yes</td></tr> <tr><td>Receipts Signage</td><td>Yes</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>Yes</td></tr> <tr><td>Adding Machine Tape/Summary</td><td>Yes</td></tr> <tr><td>Fully Completed Receipts</td><td>No</td></tr> <tr><td>Donation Form Completed</td><td>No</td></tr> <tr><td>Voided Receipts Included</td><td>Yes</td></tr> <tr><td>Voided Cash Receipts Approved</td><td>Yes</td></tr> <tr><td>All Employees Trained</td><td>No</td></tr> </tbody> </table> <p>The Office should add or strengthen receipt procedures to ensure compliance with University policy.</p>	Receipt Control	The Office	Proper Segregation of Duties	No	Written Receipt Procedures	Yes	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Adding Machine Tape/Summary	Yes	Fully Completed Receipts	No	Donation Form Completed	No	Voided Receipts Included	Yes	Voided Cash Receipts Approved	Yes	All Employees Trained	No	Implemented
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V.

Non-Audit Services

STEPHEN F. AUSTIN STATE UNIVERSITY NON-AUDIT SERVICES

Audit Services did not perform any consulting engagements as defined in the Internal Audit Charter, but we did perform other internal audit services as listed below.

ACTIVITY	IMPACT
Facilitate anonymous internet and hotline reporting system	Promote awareness of fraud and ethics issues across the university
Co-facilitate university wide risk assessment	Identification and awareness of university risks
Serve as advisor to departments for various issues	Provide guidance and strengthen department controls
Serve as an advisor for information technology issues	Increase awareness of controls and security
Provide assistance on NCAA agreed upon procedures review	Coordinate and assist with external review
Provide assistance on Charter School financial audit	Coordinate and assist with external audit
Provide assistance to SAO for audits and other projects	Coordinate and assist to aid in efficiency and provide expertise
Provide assistance to other agencies such as State Comptroller's Office, federal agencies, etc. for audits or reviews	Coordinate and assist to aid in efficiency and provide expertise
Review policies	Review new or updated policies for internal control purposes
Investigate Fraud and Ethics Reports	Investigate alleged claims relating to fraud and ethics issues
Other Special Projects	Provide information and analysis

VI.

External Quality Assurance Review

Stephen F. Austin State University

Quality Assurance Review

June 23, 2016



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

**Box 6121, SFA Station
Nacogdoches, Texas 75962
Phone 936-468-5204
Fax 936-468-7698
Email oglesbeegs@sfasu.edu
www.sfasu.edu/audit**



OFFICE OF INTERNAL AUDITS

3801 Campus Drive
Waco, Texas 76705
Phone (254) 867-3999

June 23, 2016

Ken Schaefer
Chair, Board of Regents Finance and Audit Committee
Stephen F. Austin State University
P.O. Box 13026
Nacogdoches, Texas 75962-6121

Mr. Schaefer,

We conducted an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by Gina Oglesbee on April 12, 2016. The primary objective of our engagement was to offer an independent opinion on whether the program of internal auditing overseen by Ms. Oglesbee at Stephen F. Austin State University achieved the basic requirements expected of internal audit activities at all institutions of higher education supported by the State of Texas, as asserted by the report previously mentioned. Those requirements are set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the Institute of Internal Auditors' (IIA's) *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*. For purposes of this review, we collectively refer to these as the *Standards*.

The validation was conducted by Jason D. Mallory, Director of Audits for Texas State Technical College, and Tahlia Pena, Manager of Internal Audits for Texas State Technical College. We attest that we are independent from all internal audit activities at Stephen F. Austin State University, and have the requisite skills and knowledge to undertake the engagement.

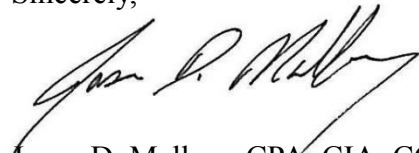
The validation was conducted in accordance to the State Agency Internal Audit Forum Peer Review Guidelines using the Master Peer Review Program. It included all internal audit activities performed from June 2013 through May 2016, and consisted of reviews of select documentation, as well as interviews with you, the President, and other senior managers. We also interviewed all internal audit staff. All interviews were conducted on your campus. Finally, we surveyed a sample of managers who recently participated in internal audits. The results of our documentation review confirmed compliance and did not yield any significant

recommendations, with both interview and survey results indicating the Internal Audit Department and its methods are very well received.

We concur fully with the assertions and conclusions stated in the Quality Assurance Review Self-Assessment Report dated April 12, 2016. We also agree that implementation of the goals contained in that same report will not only improve the effectiveness of the program of internal auditing at Stephen F. Austin State University, but enhance its value and support conformity to the *Standards* going forward.

We would like to formally recognize Ms. Oglesbee's efforts to achieve compliance to the *Standards*, and the professional care she has taken to implement an effective and efficient program of internal auditing. We would also like to express our appreciation for the time and assistance given by you, Dr. Baker Pattillo and his staff, and Ms. Oglesbee and her staff.

Sincerely,



Jason D. Mallory, CPA, CIA, CCSA
Texas State Technical College
Director, Internal Audit
jdmallory@tstc.edu
254-867-3999



Tahlia Pena
Texas State Technical College
Manager, Internal Audit
tahlia.pena@tstc.edu
956-364-4257

cc: Dr. Baker Pattillo, President
Mr. David R. Alders, Regent
Mrs. Nelda L. Blair, Regent
Dr. Scott H. Coleman, Regent, Chair
Mr. Alton L. Frailey, Regent
Mr. John R. "Bob" Garrett, Regent
Mrs. Brigettee C. Henderson, Regent
Mr. Barry E. Nelson, Regent
Mr. Ralph C. Todd, Regent
Mr. Chad Huckaby, Student Regent
Ms. Gina Oglesbee, Chief Audit Executive

Stephen F. Austin State University

**Quality Assurance Review
Self-Assessment Report**

April 12, 2016



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

**Box 6121, SFA Station
Nacogdoches, Texas 75962
Phone 936-468-5204
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STEPHEN F. AUSTIN STATE UNIVERSITY

Department of Audit Services

P.O. Box 6121, SFA Station • Nacogdoches, Texas 75962-6121
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April 12, 2016

Mr. Ken Schaefer
Chair, Board of Regents Finance and Audit Committee
Stephen F. Austin State University
P.O. Box 13026
Nacogdoches, TX 75962-3026

RE: Quality Assurance Review Self-Assessment

Dear Regent Schaefer:

The Stephen F. Austin State University Department of Audit Services has completed a Self-Assessment for its 2016 Quality Assurance Review and is pleased to present the results in this report.

Executive Summary

The Department of Audit Services conducted a quality assessment (QA) of the internal audit activity in preparation for validation by an independent reviewer. The principal objective of the QA was to assess the Department of Audit Services' compliance with The *Texas Internal Auditing Act* (Tex. Gov't. Code Chapter 2102), the Institute of Internal Auditors *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and U.S. General Accounting Office *Generally Accepted Government Auditing Standards* (collectively the "*Standards*") in effect at the time the audits were conducted.

There are three levels of conformity with the *Standards*: generally conforms, partially conforms, and does not conform. It is our overall opinion that the Department of Audit Services generally conforms to the *Standards* and *Code of Ethics*. A detailed list of conformance to individual standards is contained herein.

Scope and Methodology

The scope of the QA includes activities and audits performed and issued from June 2013 through May 2016. As part of the preparation for the QA, the Department of Audit Services prepared a self-study document with detailed information including the internal audit charter, audit manual and other organizational materials along with this Self-Assessment Report. The independent reviewers will review this information along with the Department of Audit Services' risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a sample of the Department of Audit Services' workpapers and reports. The independent reviewers will survey or interview the audit staff and a sample of University employees involved in the audit process. Interviews may also be conducted with



Board of Regent members, the President, and other senior managers.

Opinion as to Conformity with the Standards

The internal audit charter approved by the Board of Regents requires the Department of Audit Services to maintain auditing standards consistent with those established by the Institute of Internal Auditors (IIA), *Generally Accepted Governmental Auditing Standards* (GAGAS) and *The Texas Internal Auditing Act*. An external assessment is required to be performed at least once every three years by a qualified, independent reviewer or review team from outside the organization. This report represents the results of a Self-Assessment with the independent external validation to follow at a later date.

The rating system 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 of 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 the Department of 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 the Department of Audit Services in carrying out its responsibilities.

It is our overall opinion that the Department of Audit Services generally conforms to *The Texas Internal Auditing Act* (Tex. Gov't. Code Chapter 2102), the Institute of Internal Auditors *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and U.S. General Accounting Office *Generally Accepted Government Auditing Standards* in effect at the time the audits were conducted.

The following table contains our analysis of how the Department of Audit Services conforms to each section of the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*; *Generally Accepted Government Auditing Standards*; and *The Texas Internal Auditing Act*.

Standard Type and Description	Opinion
<i>Texas Internal Auditing Act</i>	Generally Conforms
<i>Generally Accepted Government Auditing Standards</i>	Generally Conforms



Standard Type and Description	Opinion
<i>IIA International Attribute Standards:</i>	
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
<i>IIA International Performance Standards:</i>	
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
<i>IIA Code of Ethics</i>	
	Generally Conforms

Detailed Conclusions for Institute of Internal Auditors International Standards

I. 1000 Purpose, Authority, and Responsibility

The purpose, authority and responsibility of the Department of Audit Services are specified in the Internal Audit Charter. The Internal Audit Charter defines the nature of assurance and consulting services. It was approved by the Board of Regents. Additional guidance is provided in the Board of Regents Rules and Regulations.

II. 1100 Independence and Objectivity

Based on the Self-Assessment, our conclusion is that the Department of Audit Services is independent and free from impairments, and the auditors are objective in performing their work. The Chief Audit Executive reports to the Board of Regents who approves the Internal Audit Charter. The Board of Regents reviews and approves the Annual Audit Plan and significant deviations to it. The Board of Regents reviews and accepts all audit reports before they are issued. The Department of Audit Services has not experienced any scope limitations and has been able to report all findings and conclusions objectively. The Department of Audit Services has a process for addressing conflicts of interest situations.



III. 1200 Proficiency and Due Professional Care

Our conclusion is that audit work is performed with proficiency and due care; professional judgment is used in planning, performing, and reporting; and the staff collectively possesses adequate professional competence. The Chief Audit Executive is licensed as a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE) and has 29 years of experience in auditing and accounting, including eleven years as the Director of Audit Services/Chief Audit Executive at SFA. The Assistant Director has three certifications including CPA, Certified Information Systems Auditor (CISA), and Certified in Risk and Information Systems Control (CRISC). The audit staff has sufficient knowledge to identify indicators of fraud and information technology risks. The budget provides funding for auditors to earn continuing education credits and maintain professional certifications.

IV. 1300 Quality Assurance and Improvement Program

We found that the Department of Audit Services has an effective quality assurance program that includes external peer review and internal review processes. An Internal Assessment is performed and documented annually. The Chief Audit Executive approves all audit plans, audit programs, and audit reports. The Texas State Agency Internal Audit Forum (SAIAF) checklist is completed for each audit to ensure compliance with *Standards*. The audit staff has regular meetings. Audit reports state that audits are performed in accordance with *Standards*. The Chief Audit Executive has open communication with all audit clients.

V. 2000 Managing the Internal Audit Activity

Our Self-Assessment review indicated that the Department of Audit Services is managed in accordance with relevant *Standards*. The Department's Policies and Procedures Manual and TeamMate Protocol Document are available on a network drive that is accessible to all audit staff but restricted to access by others. The Chief Audit Executive prepares a risk-based Annual Audit Plan that is approved by the Board of Regents; monitors and communicates the progress of projects; coordinates with other audit entities to prevent duplication; and prepares an Annual Audit Report. Audit reports provide value-added recommendations to address the risks and issues that are identified. Follow-up reviews add value by informing the Board of Regents and management of the status of audit issues identified in previous reports.

VI. 2100 Nature of Work

Our conclusion based on the Self-Assessment is that the Department of Audit Services contributes to the improvement of risk management, control, and governance processes through audits, special projects, and service. The Chief Audit Executive and the Vice President of Finance and Administration co-facilitate a university-wide annual risk assessment that forms the basis for the Annual Audit Plan. The risk assessment survey considers areas of risk such as the reliability of information, safeguarding of assets, compliance, efficiency and effectiveness of operations, and the accomplishment of goals and objectives. Fraud risks are considered in audits. The Chief Audit Executive has provided significant input on ethics and fraud prevention policies and facilitates the fraud awareness program through administration of the EthicsPoint system and distribution of fraud posters and brochures. The Chief Audit Executive serves as an advisory member of the University Compliance Committee.



VII. 2200 Engagement Planning

The Department of Audit Services conforms with the *Engagement Planning Standards*. The auditors develop an Audit Plan for each audit, which specifies the audit scope and objectives. An Audit Program is prepared for each audit that identifies the activities to be performed in order to accomplish the audit objectives. The Chief Audit Executive assigns audits in the Audit Plan according to the knowledge, skills, and experience of the auditors.

VIII. 2300 Performing the Engagement

We maintain that the Department of Audit Services complies with *Standards* in performing audits. The auditors prepare thorough working papers using TeamMate to document the audit program steps performed to achieve the objectives. Evidence provided to support results and conclusions is sufficient, competent, and relevant. Audits are properly supervised, and appropriate working papers are reviewed before reports are issued.

IX. 2400 Communicating Results

The Department of Audit Services complies with the *Standards* regarding communicating the results of engagements. Written reports are prepared for all audits. Audit reports include the objectives, scope, and procedures. The results are communicated to the appropriate internal and external parties, including administration, management, Board of Regents, the Governor's Office, State Auditor's Office, Legislative Budget Board, and Sunset Advisory Commission. Reports are submitted to other oversight agencies when applicable.

X. 2500 Monitoring Progress

We found that the Department of Audit Services has an effective system for monitoring the disposition of results communicated to management. The Department of Audit Services maintains a database for tracking the status of issues identified in audit reports and performs follow-up reviews of outstanding management action plans. The Annual Audit Plan includes a follow-up review to be performed on a regular basis. The results of follow-up reviews are communicated to the Board of Regents and management. In addition, the Department of Audit Services recently implemented an additional follow-up process to verify implementation in some cases prior to audit report presentation.

XI. 2600 Communicating the Acceptance of Risks

No instance has occurred where the Chief Audit Executive believes that executive management has accepted a level of residual risk that is unacceptable to the organization, but if this situation were to occur, the Chief Audit Executive would report the concern to the Board of Regents Finance and Audit Committee Chair.

Goals for the Department

During the performance of our Self-Assessment, we identified opportunities to enhance our processes. We formulated these into goals for the Department of Audit Services over the next three years as follows:



Goal #1 – Increase efficiency by investigating an audit software interface with the enterprise resource system. Plan includes:

- Work with Information Technology Services to integrate audit software with the enterprise resource system where possible by December 31, 2017.

Goal #2 - Gain more knowledge in the use of audit software. Plan includes:

- Add WebFocus software to an additional employee's computer by August 31, 2016.
- Investigate options for WebFocus training by December 31, 2016.
- Add Audit Command Language (ACL) software to an additional employee's computer by August 31, 2016.
- Investigate options for ACL training by May 31, 2017.

Goal #3 – Develop continuous auditing tools and techniques. Plan includes:

- Increase expertise in the area of continuous auditing by August 31, 2016.
- Work with management to determine areas where continuous auditing would be most beneficial by August 31, 2017.
- Review resources for continuous auditing best practices and develop a plan by August 31, 2018.

Goal #4 – Ensure that audit staff enhances knowledge, skills, and other competencies. Plan includes:

- Require all auditors to achieve a relevant audit certification by December 31, 2018.

The Department of Audit Services is committed to continuous improvement and will continue to revisit and improve our practices as we stay abreast of auditing standards and techniques. These goals will be reviewed and adjusted when performing the annual Internal Assessment.

Acknowledgements

We look forward to the assistance of Mr. Jason Mallory, CPA, CIA, Director of Internal Audit for Texas State Technical College, and Ms. Tahlia Pena, Audit Manager for Texas State Technical College, in performing the external Quality Assurance Review validation for the SFA Department of Audit Services in 2016.



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

If you have any questions, please contact me at 936-468-6640.

Sincerely,

A handwritten signature in cursive script that reads "Gina Oglesbee".

Gina Oglesbee, CPA, CFE
Chief Audit Executive

cc: Dr. Baker Pattillo, President
Mr. David R. Alders, Regent
Mrs. Nelda L. Blair, Regent
Dr. Scott H. Coleman, Regent, Chair
Mr. Alton L. Frailey, Regent
Mr. John R. "Bob" Garrett, Regent
Mrs. Brigettee C. Henderson, Regent
Mr. Barry E. Nelson, Regent
Mr. Ralph C. Todd, Regent
Ms. Ryan Brown-Moreno, Student Regent

VII.

Internal Quality Assessment

STEPHEN F. AUSTIN STATE UNIVERSITY INTERNAL QUALITY ASSESSMENT

Audit Services maintains a quality assurance and improvement program. To ensure adherence to auditing standards the Department of Audit Services performs the following:

- Annual review of compliance with *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.
- Remain up-to-date on auditing standards through continuing education, membership in accounting and auditing associations, technical reading, and independent research.
- Completion of an audit standards compliance questionnaire at the end of each audit.
- Completion of annual independence disclosures.
- Various other practices.

Audit Services is in compliance with auditing standards. The following department goals for 2017 will aid in continued compliance and efficiency:

- Integrate audit software with enterprise resource system.
- Gain more knowledge in the use of audit software.
- Develop continuous auditing tools and techniques.
- Require all auditors to achieve relevant audit certification.

Ongoing assessment of the internal audit activity is maintained through daily supervision and review; audit exit conferences; annual performance evaluations; meetings with the President, Vice Presidents, and Board of Regents Finance and Audit Chair; and monitoring of factors such as:

- % of management action plans implemented in follow-up audits.
- % of responses to annual risk assessment survey.
- Meeting internal and external deadlines.
- Completing audits and special projects.
- Maintaining certifications.

VIII.

Internal Audit Plan for FY 2017

**STEPHEN F. AUSTIN STATE UNIVERSITY
DEPARTMENT OF AUDIT SERVICES
FIVE YEAR AUDIT PLAN**

The staff of Audit Services consists of a Chief Audit Executive; Assistant Director; two Risk and Compliance Auditors; Audit and Legal Support Specialist; and a Graduate Assistant/Student Worker. For fiscal year 2017, allocable time after consideration of sick leave, vacation, holidays, and wellness release time is 9014 hours.

Audit resources must be divided among risk-based audits, information technology audits, required audits, special projects, investigations, meetings, committee service, department activities, and audit administration. Audits are scheduled below in a five year audit plan. These audits are a combination of financial, compliance, operational, efficiency, effectiveness, and fraud audits.

Audit Projects	2017	2018	2019	2020	2021
Audit Assistance to Oversight Agencies	X	X	X	X	X
PFIA (biennial)	X		X		X
TAC 202 (biennial)	X		X		X
Charter School (annual)	X	X	X	X	X
NCAA (annual)	X	X	X	X	X
Follow-up (annual)	X	X	X	X	X
Contract Management and Purchasing (annual)	X	X	X	X	X
Benefits Proportionality	X				
Safety and Security Audit (triennial)			X		
Facilities Audit (every five years)					X
Departmental Audits	X	X	X	X	X
Risk Based and Other Audits	X	X	X	X	X

Risk based and other audits planned for fiscal year 2017 include the following:

- Payroll and Human Resources Audit
- Grants Audit
- Bond Audit
- Banner Student Information System Audit.

Details are included in the Fiscal Year 2017 Audit Plan.

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2017 University Budget All Funds: \$250,313,731

Total 2017 Budgeted Audit Positions: 5

FISCAL YEAR 2017 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Financial, Compliance, Efficiency & Effectiveness Audits		
National Collegiate Athletic Association Review	Provide assistance to external firm performing review of SFASU athletic financial statement as required by NCAA	45
SFASU Charter School Audit	Provide assistance to external firm performing financial audit of SFASU Charter School	45
Public Funds Investment Act (PFIA) Audit	Verify compliance with PFIA for operating investments	100
Departmental Audits	Review for compliance with various regulations and efficiency & effectiveness	1600
Contract Management and Purchasing Audit	Review compliance with Senate Bill 20 requirements	350
Benefits Proportional by Fund Audit	Review controls, verify compliance, and reporting	200
Payroll and Human Resources Audit	Review controls, compliance with policies and regulations, and fraud assessment	600
Grants	Review compliance with grant agreements, policies, and regulations for a sample of grants	450
Agency Accounts (carry forward)	Review procedures for agency accounts	40
Bond Audit	Review compliance with bond covenants and requirements	400
Information Technology Audits		
Texas Administrative Code Section 202 Audit	Review compliance with Information Security Standards	400
Learning Management System (carry forward)	Review general and application controls in D2L	40
Banner Student Information System	Review select general and application controls in Banner Student Information System	400
Follow-up Audits	Obtain representations from management regarding status and perform verification as necessary	309
Special Projects		
Fraud & Ethics Program	Facilitate university anonymous reporting system	16
Special Projects and Investigations	Special projects based on requests from the Board of Regents, Administration, anonymous reporting system, or others. Provide audit assistance to state and federal oversight agencies such as Texas State Auditor's Office, The Higher Education Coordinating Board, Texas State Comptroller's Office, and grant agencies.	300
Meetings & Committee Service		
Other University Meetings/Events	Attend other meetings and events as deemed necessary	80
Administrative Meetings, Regent Meetings, and events	Preparation and attendance of meetings and events	220
Compliance Committee & Activities	Serve as advisory member of committee	60
Department Activities		
Annual Audit Plan and Report	Prepare annual audit plan and report	50
Audit Manual Revision	Update audit manual and forms	40
Annual Risk Assessment	Facilitate annual university risk assessment	50
Quality Assurance	Perform internal assessment and coordinate external assessment of compliance with standards	60
Records Management	Maintain file system and records for department	40
Software Maintenance and Training	Teamware and ACL audit software	80
Continuous Auditing	Develop tools and techniques	350
Professional Development and Travel	Professional development, training, and travel	350
Staff Meetings	Weekly staff meetings	360
Audit Support	Audit and Legal Support Specialist time	1179
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	550
General & Administrative GA	Graduate Assistant help with administrative work	250

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2017 University Budget All Funds: \$250,313,731

Total 2017 Budgeted Audit Positions: 5

FISCAL YEAR 2017 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Total Allocated Hours		9,014
Total Hours Per Year		10,588
Less estimated:		
Sick Leave		(350)
Vacation		(585)
Holidays		(564)
Wellness Release Time		(75)
Total Available Hours		9,014

IX.
Risk Assessment

STEPHEN F. AUSTIN STATE UNIVERSITY RISK ASSESSMENT

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 are considered.

Audit Services, in conjunction with the Vice President of Finance and Administration, facilitates an annual university wide risk assessment. A survey of risks is developed with university input. Eighty-six members of the university community including administrators, deans, department chairs, and directors were asked to participate in the survey for fiscal year 2017. The survey required each respondent to assess the negative impact of eighteen identified risks as high, medium, or low. Administration along with the General Counsel, Chief Information Officer, and Chief Audit Executive assessed the negative impact of the risk along with the probability of the risk occurring as high, medium, or low. The survey also asked respondents to identify any other risks or potentially fraudulent activities. In addition, thirty-one departmental questions were asked to assess departmental risks. Responses to these questions were weighted to determine an overall department risk ranking. The 2016-2017 survey had a 100% response rate. The survey was used by Audit Services in the development of the fiscal year audit plan and also by administration to address risks. The top ten risks were evaluated to ensure that the university is mitigating the risk and/or Audit Services is performing audit procedures to review the risk.

In addition, the Vice President of Finance and Administration and the Chief Audit Executive review and discuss the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Budget financial reports. Audit coverage is discussed along with risks and controls.

The risk assessment information is then reviewed with the President and Administration for any additional input and with the Board of Regents Chair of the Finance and Audit Committee and Board of Regents Chair. The proposed audit plan draft was sent to the Board of Regents ten days in advance of the July Finance and Audit Committee meeting. The audit plan was approved by the board of Regents on July 26, 2016.

The fiscal year 2017 audit plan allocates resources for required audits and audits identified during the risk assessment process. High risk areas identified by Audit Services that are not covered in the current year Audit Plan include Financial Aid and Federal Funds, which are included in the State Auditor's Office Single Audit; information technology security not assessed in TAC 202; specific compliance areas; and funds that are under the control of other entities or agencies.

X.
External Audit Services

**STEPHEN F. AUSTIN STATE UNIVERSITY
EXTERNAL AUDIT SERVICES**

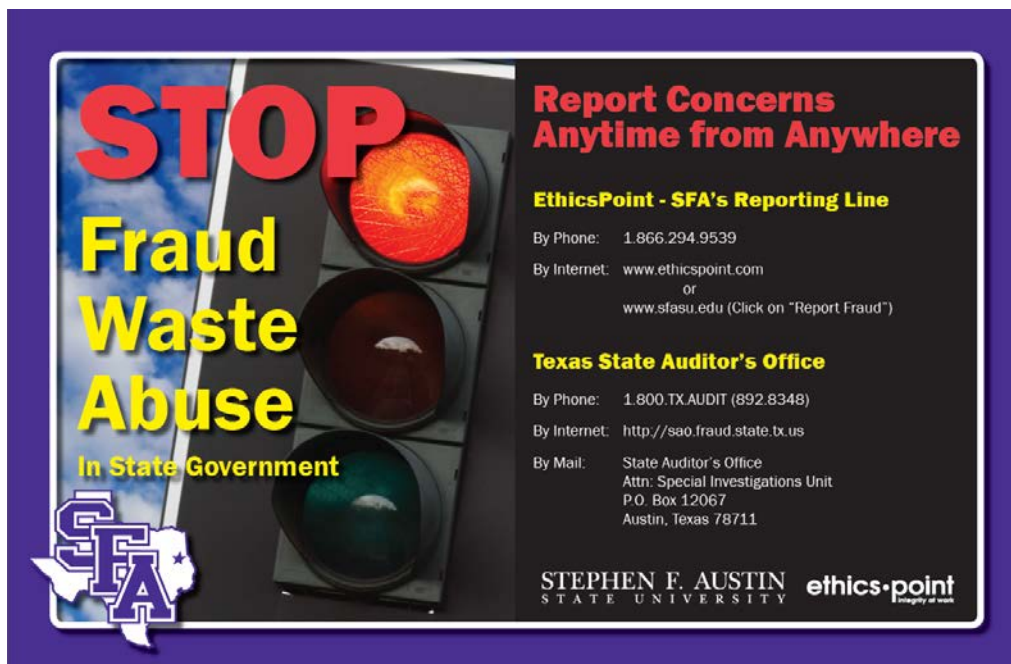
AUDITOR	PURPOSE
Goff & Herrington, P.C.	Perform agreed-upon procedures engagement as required by the National Collegiate Athletic Association as of August 31, 2015.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2015.

XI.
Reporting Fraud

STEPHEN F. AUSTIN STATE UNIVERSITY REPORTING SUSPECTED FRAUD AND ABUSE

In order to implement the requirements of Article IX, Section 7.09, page IX-37, the General Appropriations Act (84th Legislature) and Texas Government Code, Section 321.022, the university has taken the following actions:

- SFASU has a fraud policy that includes the website and phone number to report fraud to the State Auditor's Office at http://www.sfasu.edu/policies/fraud_2.7.pdf.
- SFASU provides a link for reporting fraud on the SFASU website homepage at <http://www.sfasu.edu/>.
- SFASU distributes fraud posters that include the website and phone number to report fraud to the State Auditor's Office as shown below:



- New employees are informed of the fraud and ethics program in employee orientation.

The Chief Audit Executive coordinates investigations with the State Auditor's Office when necessary.

XII.
Audit Charter

STEPHEN F. AUSTIN STATE UNIVERSITY
DEPARTMENT OF AUDIT SERVICES
INTERNAL AUDIT CHARTER
November 1, 2015

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the university's operations. It helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose of the Department of Audit Services is to provide the Board of Regents and the President an independent appraisal of the adequacy and the effectiveness of the University's system of internal administrative and accounting controls and the quality of performance when compared with established standards. The primary objective is to assist the Board of Regents, the President and University management in the effective discharge of their responsibilities.

Authority

The Department of Audit Services is an integral part of Stephen F. Austin State University and functions within established policies. The Chief Audit Executive is appointed by the Board of Regents in accordance with the Board of Regents Rules and Regulations. The Chief Audit Executive reports functionally to the Board of Regents and administratively to the President.

The Department of Audit Services will have unrestricted access to all University activities; records, both manual and electronic; property; and personnel relevant to any area being reviewed. Members of the Audit Services' staff will handle all documents and other information acquired in the course of their duties prudently.

Standards

The Department will operate within the guidelines of the Texas Internal Auditing Act (Article 6252 – 5d., V.A.C.S.), the Institute of Internal Auditors Professional Practices Framework which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing as mandatory guidance. In addition, where applicable the Department will follow Generally Accepted Government Auditing Standards.

Principles and Independence

The Department of Audit Services will uphold the principles of integrity, objectivity, confidentiality, and competency. Employees will be independent of the activities or operations they review and free of all operational and management responsibilities that will impair the auditor's ability to review independently all aspects of the university's operations.

Responsibility

The Department of Audit Services will fulfill its responsibility to the Board of Regents and the President by:

- developing an audit plan based on a risk analysis which includes consideration of the university's goals and objectives and the concerns of management and the Board of Regents.
- providing audit coverage that consistently meets the needs and expectations of management and the Board of Regents.
- following up on identified weaknesses, findings and recommendations from previous audit work.
- participating in a program of quality assurance designed to ensure the increasing professionalism of the department and standard of the work performed.
- performing consulting services including advisory and related service activities, the nature and scope of which are agreed upon and which are intended to add value and improve the university's governance, risk management, and control processes without assuming management responsibility.
- Performing non-audit services such as special projects, policy reviews, facilitation, training, and committee service.

Annually the Chief Audit Executive will submit information on the annual audit plan, work schedule, and staffing plan to the President for his review and to the Board of Regents for their approval. Quarterly the Chief Audit Executive will provide activity reports to the President and the Board of Regents detailing progress against the annual audit plan, audit accomplishments, and highlights of any significant audit findings and recommendations. The Chief Audit Executive will submit reports as required to the State Auditor's Office, Governor's Office, Legislative Budget Board and Sunset Advisory Commission.

The scope of audit activities will include all controls, reports and operations of the University. The Department of Audit Services will examine and evaluate:

- The reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information.
- The systems established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on the University.
- The means of safeguarding assets and verifying their existence.
- The economy and the efficiency with which resources are employed.
- The extent to which the operations and programs of the University are consistent with its objectives and goals.
- The ethics objectives and activities of the University.
- The potential for fraud and the management of fraud risk.